Papua New Guinea
Legal Persons Risk Assessment

for Money Laundering, Terrorist Financing and Proliferation Financing

Under FATF Recommendation 24

July 1, 2026

Acknowledgement

This *Legal Persons Risk Assessment for Money Laundering, Terrorist Financing and Proliferation Financing* was prepared by the Papua New Guinea Investment Promotion Authority (IPA) with assistance from the Pacific Private Sector Development Initiative (PSDI), Asian Development Bank. IPA extends its thanks to those agencies and other stakeholders that supplied information and other assistance for this Assessment, including: the Financial Analysis and Supervision Unit (FASU) of the Bank of Papua New Guinea (BPNG); the Co-Operative Societies Unit, Department of Commerce and Industry; the Department of Lands and Physical Planning (Dept. of Lands), Office of the Registrar of Incorporated Land Groups; the Royal Papua New Guinea Constabulary; and private sector and civil society stakeholders who responded to questionnaires concerning legal persons in PNG.

Important Note

This *Legal Persons Risk Assessment for Money Laundering, Terrorist Financing and Proliferation Financing* was undertaken as a consequence of the Recommended Actions identified in the PNG Mutual Evaluation Report 2024 under Immediate Outcome 5 on beneficial ownership as well as addressing action item numbers 30-36 required in PNG's Strategic Implementation Plan 2024/2025.

For more information www.ipa.gov.pg

This *Legal Persons Risk Assessment for Money Laundering, Terrorist Financing and Proliferation Financing* is available for download at www.ipa.gov.pg and www.bankpng.gov.pg

Contents

Abbreviations

ADB	Asian Development Bank
APG	Asia Pacific Group on Money Laundering
AML	Anti-Money Laundering
BO	Beneficial Owner (or Beneficial Ownership, as the context dictates)
CA	Competent Authority
DNFBPs	Designated Non-Financial Businesses or Professions
EDD	Enhanced Due Diligence
FASU	Financial Analysis and Supervision Unit
FATF	Financial Action Task Force
FIs	Financial Institutions
ILG	Incorporated Land Group
IPA	Investment Promotion Authority
LA	Legal Arrangement
LEA	Law Enforcement Authority
LP	Legal Person
LPA	Legal Persons Risk Assessment for PNG dated July 1, 2026
MER	Mutual Evaluation Report (published in 2024 for PNG)
ML	Money Laundering
ML/TF	Money Laundering / Terrorist Financing
MLA	Mutual Legal Assistance
NFACD	National Fraud and Anti - Corruption Directorate
NEC	National Executive Council
NPO	Non-Profit Organization
NRA	National Risk Assessment (published in 2017 for PNG)
RE	Reporting Entity
RPNGC	Royal Papua New Guinea Constabulary
SMR	Suspicious Matter Report
TF	Terrorist Financing

Executive Summary

Overall

Papua New Guinea has taken significant steps to strengthen its legal-person framework since the 2017 National Risk Assessment: PNG has enacted a new Associations Incorporation Act 2023 that addresses several compliance gaps, passed amendments to its Companies Act that partially address beneficial ownership, and implemented a new online register that includes the ability to enforce annual return compliance. The principal remaining gaps are a combination of legal framework shortcomings and implementation capacity: the Companies Act is not fully compliant with the current FATF recommendations for legal persons, and the same is true for most other legal persons; registrars lack resources for routine verification; the Financial Analysis and Supervision Unit (FASU) can provide aggregated information regarding suspicious matter reports by legal-person type, but there is no granular detail in a searchable database to allow for classification of potential patterns of abuse; prosecutorial and forensic capacity to convert leads into convictions is limited; some registers are still paper-based; and while the Registrar for Incorporated Land Groups (ILGs) reportedly has an electronic database, the public is not allowed to view it to facilitate searching.[1]

These operational and legislative shortfalls create material money laundering (ML) vulnerabilities concentrated in ILGs and other extractive industry-linked entities. Consistent with the key findings of PNG's Mutual Evaluation Report 2024 on page 5 that PNG is not a high-risk jurisdiction for terrorism or terrorist financing (TF) risk, the low rating identified in PNG's 2017 National Risk Assessment is still applicable for nearly all legal persons given that there is little to no evidence to support a higher rating. Priorities that will deliver the largest near-term risk reduction are: passage of a proposed Companies Act amendment that mandates reporting of beneficial ownership information and implementation of a beneficial ownership register, completion of the re-registration period for associations that commenced July 1, 2026, strengthened verification processes within IPA and other registrar offices, enhance the SMR reporting framework for better analysis and typology development, enhanced interagency investigative capacity and enforcement, and more constructive engagement with the ILG Registrar to close registry and legal gaps.

Key Findings

Compliance trajectory. Recent legal reforms have moved PNG toward FATF-aligned transparency, but key operational deficiencies exist. A proposed 2026 amendment to the Companies Act would mandate beneficial ownership reporting to a central register and also address nominee directors and shareholders and other technical matters. While the Registrar of Companies has a new policy under which beneficial ownership information can be requested from targeted companies that is now operational, mandatory reporting to a central register would further strengthen compliance. The Registrar of Companies began collecting photo IDs for all company directors and association committee members on January 1, 2026. The framework for reporting suspicious matter reports to

[1] Following repeated requests for participation in this Assessment, the Registrar of Incorporated Land Groups provided additional information and comments during the final stages of this Assessment. Those materials have been considered and incorporated where appropriate. Information gaps regarding the ILG sector have also been noted previously, including during the 2024 Mutual Evaluation where information on the total number of registered ILGs was recorded as "not provided."

FASU is in place, but the data is not held in a way that allows for an analysis of typologies of legal persons.

In an important development, the new Associations Incorporation Act has fully commenced as of July 1, 2026. There is a one-year re-registration period during which all associations must supply information required under the new Act, including disclosing “shadow committee members” which are effectively unnamed control persons. As implementation has only recently begun, it is too early to assess effectiveness. However, this development addresses a major deficiency identified in past Mutual Evaluations and should significantly improve transparency and oversight of associations over time.

Data and enforcement shortfalls. Modern, fully operational electronic registers exist for companies, overseas companies, associations, and business groups, and these are published to the web. However, resource constraints limit the amount of verification that occurs for filings. The Registrar for these entities, the Investment Promotion Authority (IPA), has implemented practical steps to verify filers via a client account that requires a photo ID, but there is the potential for abuse without verification checks. Co-operative Societies are maintained in an excel spreadsheet with no public access. FASU records provide SMR counts but would need to be manually reviewed to identify legal-person typologies and support targeted enhanced due diligence efforts. The police are unable to provide detailed information on investigations involving legal persons.

No detected TF activity. There are no known TF investigations, prosecutions or suspicious matter reports linking PNG legal persons to terrorist organisations. There are no known links between PNG legal persons and terrorist organisations. TF risk for all legal persons was therefore assessed as low consistent with PNG’s Mutual Evaluation Report 2024. This Assessment concurs with this overall finding.

Money Laundering concerns. ML investigations and convictions are extremely rare while the number of reported SMRs and anecdotal evidence suggest the possibility that more widespread money laundering may exist. The prevalence of ML is difficult to assess in the absence of prosecutions where evidence is presented that would permit an analysis of typologies.

Entity-specific risk snapshot.

1. Incorporated Land Groups (ILGs) are the highest ML concern. Factors that support an elevated risk rating include: outdated legislation that does not address beneficial ownership or nominee arrangements; the lack of a database available to the public; limitations in available data and limited institutional engagement during this Assessment. These factors are combined with heavy involvement in the extractive industry by some ILGs and numerous academic and anecdotal reports of financial irregularities involving landowner groups. Taken together, these all justify a higher ML risk rating.

2. Overseas companies and a very small number of PNG firms with shareholders from grey-listed jurisdictions warrant priority BO enquiries.

3. Local companies present a moderate ML risk. A sound compliance foundation exists with an engaged Registrar and a modern online register, but verification gaps, nominee risks, a legal framework that is not fully FATF-compliant regarding beneficial

ownership, and a lack of provisions addressing nominee arrangements in the Companies Act all weaken compliance and at least theoretically increase ML risk. Passage of the proposed Companies Act amendments would significantly reduce risk.

4. Associations present a low to medium ML risk that is very entity specific. The majority of associations are small-scale and carry out proper community charitable activities. Larger associations can handle significant funds. Full implementation of the 2023 Associations Incorporation Act with its re-registration requirement, provisions requiring disclosure of hidden control persons, and new financial reporting obligations will materially reduce risk.

5. Both co-operatives and clan-based business groups present low ML risks largely due to member oversight and visibility over how funds are used.

6. TF risk for legal persons is assessed as low consistent with the 2024 MER and no detected TF activity.

Priority Recommendations.

Immediate (0–6 months)

1. Pass the proposed Companies Act amendments which calls for mandatory BO reporting to a central register and contains other FATF-compliant provisions.

2. Increase usage of IPA's interim BO policy to make BO inquires of targeted high-risk companies. FASU and the police should take full advantage of this policy

3. Monitor the ongoing re-registration process for associations and overseas associations to help ensure compliance.

4. FASU should consider enhancing the SMR data collection and storage process to allow for better analysis.[2] FASU should also consider funding a short-term manual review contractor to develop a typology on legal persons.

5. The Registrar for ILGs should participate more actively in national AML compliance investigation efforts.

Longer term (6–18 months)

1. Launch a national BO register (subject to Companies Act amendment), scalable to other entity types.

2. The ILG Registrar should commence consultations on how best to update pertinent legislation to address AML concerns while honoring the unique structure of the ILG and the critical societal role the entity plays in PNG.

3. Resource targeted forensic audits and EDD for priority ILG and extractive-sector associations; develop a BO spot-check checklist and standard document request package.

[2] Both Financial institutions and Designated Non-Financial Businesses and Professions submit SMRs. There are confidentiality concerns that must be addressed in any reform of the SMR process.

4. Upon completion of re-registration process for associations, IPA to undertake evaluation of the data to determine appropriate next steps, which may include spot-checks of associations that report nominee control-persons.
5. Build interagency investigative capacity to increase the effectiveness of PNG's AML framework as it relates to legal persons. This would include sustained training for investigators/prosecutors on financial forensic methods and creating a joint IPA–FASU–RPNGC data sharing protocol, which would result in court-ready referrals to the prosecutor for alleged ML/TF crimes.
6. IPA to publish aggregated annual compliance reports showing re-registration, BO filings and enforcement actions while protecting personal data.

Implementation considerations and safeguards

1. IPA will require additional resources to fully implement its AML responsibilities, including implementing a new BO register and undertaking a robust verification regime.
2. Any ILG reform must preserve customary land protections. New BO rules for ILGs must be designed to capture control persons without undermining legitimate communal rights.
3. FASU will require additional resources to analyze SMRs and develop legal-person typologies on an ongoing basis.
4. All reforms should balance transparency with protections for personal data. For example, a BO register may not be suitable for full public searching. Conversely, aggregate public reporting can both inform policy makers and mitigate disclosure risks.

Data and confidence caveat

This Assessment draws on review of legislation and draft amendments, sample checks of IPA's online registers, aggregate SMR counts provided by FASU, prosecution, and MLA records where available, and stakeholder engagement. However, several material data constraints temper the certainty of some conclusions. In particular: FASU's SMR database is able to provide cumulative data on SMRs but it lacks being able to present detailed information needed for a robust typology analysis on cross-border flows; there is no BO information available to regulators for any entities; prosecutions for ML involving legal persons are very limited; external questionnaire returns were small. Therefore, parts of the Assessment necessarily rely on IPA institutional knowledge and corroborating civic-watchdog and media reports. These limitations are acknowledged and this Assessment thus attaches tempered confidence levels to entity risk ratings. Where evidence was limited, the Assessment generally reflected that limitation through reduced confidence ratings rather than automatically assigning a lower risk score. Recommended remedial steps at the conclusion of the Assessment are designed to strengthen the evidence base for future reassessments.

Conclusion

PNG's legislative framework is substantially improved and the proposed Companies Act amendments would further and materially strengthen PNG's alignment with FATF expectations, particularly in relation to beneficial ownership transparency. The addition of a beneficial ownership register would be an important development.[3] Additional legal reforms for ILGs would assist in compliance efforts. Key implementation, verification and enforcement activities must receive adequate resourcing and budget support to achieve compliance with international standards. Operationalizing BO measures, fully implementing the re-registration process in the new Associations Incorporation Act, closing transparency gaps in ILGs involved in extractive-linked businesses, and improving SMR analytics will yield the greatest near-term reduction in ML vulnerabilities.

[3] IPA and relevant authorities are presently exploring donor-supported funding options for implementation of a beneficial ownership register.

1.0 Background

The Financial Action Task Force (FATF) Recommendation 24 directs that countries establish measures to ensure that competent authorities can obtain, or have access in a timely manner, to adequate, accurate and up-to-date information on the persons that have legal ownership and control over legal persons that are recognized in the jurisdiction. A "legal person" is commonly thought of as an incorporated or other legally independent entity. In addition, FATF Recommendation 24 also requires countries to obtain information of the "beneficial owners" of these legal persons. A beneficial owner is generally defined as the natural person (or persons) who ultimately own or control a legal person, even if that control is exercised indirectly through layers of companies, trusts, nominees or other arrangements. It includes those individuals who exert ultimate effective control over the entity's management or who are entitled to the economic benefits of its assets, whether by holding a threshold percentage of shares or voting rights or by other means of influence.

The first step in this task is that each country must adequately and sufficiently identify and define the different types of "legal persons" recognized in the country. This work includes gathering information related to: how legal persons are formed, under what law(s) do they exist, what agency (if any) oversees them, what information is required to be maintained for and by them, how (if) they are required to obtain and maintain beneficial ownership information, and other data relevant to creating a profile on what risk each entity type poses to money laundering / terrorist financing (ML/TF) activities. Countries must also conduct an assessment of the overall economic, demographic and social situation to determine whether there are macro-ML/TF concerns.

In response, Papua New Guinea has completed this Legal Persons Assessment to meet the following objectives:

1. To identify, assess, and understand the ML/TF risk associated with legal persons in PNG;

2. To better inform national policies and strategies to address any ML/TF vulnerabilities, including identifying any gaps in the legal/regulatory framework that governs legal persons;

3. To recommend measures to ensure law enforcement and other competent authorities may obtain access to adequate, accurate and up-to-date information on beneficial ownership of legal persons in a timely manner;

4. To recommend other mitigation measures to help prevent the misuse of legal persons for ML / TF purposes.

The following legal persons recognized by PNG law are subject to this Assessment:

1. PNG Companies;

2. Overseas Companies registered to do business in PNG, which includes an analysis of how the PNG foreign investor certification process affects overseas companies;

3. PNG Associations (an incorporated non-profit entity);

4. Overseas incorporated nonprofits registered to operate in PNG under the PNG Corporations Act as the former Associations Act did not recognize foreign nonprofits;

5. Business Groups, a for-profit entity type unique to PNG whose owners consist of a customary group or extended family members;

6. Incorporated Land Groups (ILGs), a PNG entity formed by citizens residing in a geographic area and related in some manner under which activities linked to the land are undertaken; and

7. Co-operative Societies, a PNG entity formed by persons that are collectively engaged in business activities, typically agricultural.

Trusts and other unincorporated organizations are not directly covered by this Legal Persons Assessment. PNG is scheduled to undertake a standalone "legal arrangements" assessment under FATF Recommendation 25 in 2026.[4]

This Legal Persons Assessment benefited immensely from the institutional knowledge of the PNG Investment Promotion Authority (IPA). IPA serves as the Registrar for companies, associations, business groups, business names and administers the certification of foreign investors, which includes all overseas companies seeking to do business in PNG.

2.0 How the Assessment was Conducted

2.1 Methodology

PNG used a methodology which assesses threat, vulnerability and risk mitigating measures at the level of each relevant legal person. This methodology was conducted under the guidelines contained in key FATF Guidance documents, including the "FATF Guidance on Money Laundering and Terrorist Financing Risk Assessment," published in 2013, which is the core Guidance setting forth how countries are to conduct risk assessments generally. Recommendation 1 from this core FATF Guidance[5] states that countries should "identify, assess and understand" the ML/TF risks they face, and should take actions aimed at ensuring the risks are mitigated effectively. Furthermore, the Guidance indicates that risk assessments carried out by countries should be used for determining higher and lower risks that may then be addressed by applying enhanced mitigation measures or allowing simplified measures, respectively.

This 2013 FATF Guidance has been supplemented over the years by further guidance documents which more specifically inform this Legal Persons Assessment:

1. "Beneficial Ownership of Legal Persons," published in March 2023;

---

[4] This work was scheduled for 2026 because: i) though there are two trust-related acts in PNG (the Trustees and Executors Act and Trustees Companies Act 1989), they are both outdated, and there is no central register for trusts, nor is there any real oversight by a governmental agency; ii) PNG does not have an offshore industry of the type that makes great use of trusts related to business formation; and iii) there is no evidence that common-law trusts are in wide use in PNG. For these reasons, it is likely that it will take some time to gather information about any trusts that may be in use given there is no centralized body to query about their existence. It did not make sense to delay the important work on the formal legal persons Rec. 24 assessment to wait on information to be obtained on trusts and other unincorporated entities.

[5] See pages 5-6.

2. “Combating the Terrorist Financing Abuse of Non-Profit Organisations,” November 2023; and

3. “Terrorist Financing Risk Assessment Guidance,” published in July 2019.

The more specific Guidance on Beneficial Ownership of Legal Persons from March 2023 (“2023 BO Guidance”) states:

> Countries should conduct a comprehensive risk assessment of all types of legal persons, taking into consideration the relevant legal and regulatory contextual issues specific to the country, and the particular international threats and vulnerabilities that the country faces. This may be a standalone assessment or form part of the broader assessment of the ML/TF risks in the country.[6]

Threat and vulnerability levels were assigned to each legal person after reviewing enabling legislation regarding formation and ongoing compliance requirements, the manner in which legal persons are maintained in government registers, gathering and analyzing various statistical data, reviewing applicable information regarding ML/TF prosecutions and investigations, assessing suspicious matter reports, then taking into account any risk mitigations that have been put in place.

Paragraphs 15-20 of the 2023 BO Guidance provide a framework under which a legal persons assessment is to be conducted, and PNG has followed this framework. This Assessment also draws upon information presented and conclusions reached from the 2024 Mutual Evaluation Report (2024 MER) for PNG. One key finding in the 2024 MER that informs this Assessment is that:

> PNG is not a high-risk jurisdiction for terrorism or TF. In line with this, there have been no investigations, prosecutions or convictions for TF in PNG.[7]

The following subsections detail the FATF requirements for information-gathering and how these points have been addressed in this Assessment.

2.1.1 Domestic Legal Persons

The 2023 BO Guidance[8] requires countries to describe all legal persons recognized in their jurisdiction, indicate how they are formed, how they manage BO information, and make this information publicly available. Then, the ML/TF risks and any mitigations must be explained. This Assessment provides information on all of these items.

In addition, 2023 BO Guidance[9] suggests supplementing this required information with statistics on the number of registered entities. This information is included in this Assessment[10] together with

---

[6] 2023 BO Guidance, par. 17.

[7] 2024 MER, paragraph F, page 5. Similarly, the MER also stated: “There have been no investigations, prosecutions or convictions for TF in PNG, which is consistent with PNG’s low TF risk profile. PNG’s TF risk assessment and the AT [Assessment Team] did not identify open-source information suggesting international terrorist groups or groups with links to international terrorist networks are operating in PNG or raising, moving and using funds in connection to PNG.” Section 10.9.A, Table titled “Key Findings,” page 76.

[8] 2023 BO Guidance, par. 15.

[9] 2023 BO Guidance, par. 18.

[10] There is no statistical data on one type of legal person: incorporated land groups. This will be explained later in the Assessment.

enhanced statistics concerning overseas companies that are produced from the new IPA online register.

2.1.2 Foreign Legal Persons

The 2023 BO Guidance[11] requires countries to identify and assess the ML/TF risks to which they are exposed in relation to foreign legal persons. This Assessment complies with this directive. All foreign entities must register with IPA in order to conduct business in PNG.[12] This means that IPA has a database identifying all foreign entities and this database has been leveraged to provide meaningful statistics in preparing this Assessment.

2.1.3 Risk Assessment

The 2023 BO Guidance[13] directs countries to conduct a comprehensive risk assessment of all types of legal persons, taking into consideration the relevant legal and regulatory contextual issues specific to the country, and the particular international threats and vulnerabilities that the country faces. The 2023 BO Guidance notes particular data points that should be considered in assessing risk:

1. Registration statistics on all legal persons indicating volumes and trends;
2. A review of any suspicious matter reports involving legal persons, along with any prosecutions or other enforcement actions involving legal persons, and analyzing whether there are commonalities such as the type of legal structure involved, jurisdiction of incorporation, and whether intermediaries such as attorneys or accountants played a role in the illegal behaviour;
3. Identification of the most common typologies of abuse and assess the level of incidence;
4. Investigate advertising practices by Trust and Company Service Providers (TCSPs); and
5. Conduct consultations with external experts from the private sector, civil society and academia to gain their input on the benefits and risks of various legal structures.

This Assessment addresses each of these 5 elements:

1. Registration statistics have been provided by the relevant Registrars other than the Registrar for Incorporated Land Groups. Additional statistics have been provided from the IPA register on matters that are relevant to assessing risk, including such things as the number of companies from FATF grey-listed countries operating in PNG, and identifying whether any local companies have shareholders or directors from grey-listed countries.

[11] 2023 BO Guidance, par. 16.

[12] Footnote 49 to Interpretive Note to Recommendation 24 establishes helpful principles to determine if a foreign entity has a sufficient link to the subject jurisdiction to require inclusion in a risk assessment. The existence in PNG of the legal requirement to register with IPA if an overseas person or entity is doing business in PNG addresses these principles.

[13] 2023 BO Guidance, par. 17.

2. For statistics based upon suspicious transactions and relevant prosecutions, FASU has provided statistics on suspicious matter reports and other enforcement actions involving ML/TF matters for legal persons operating in PNG.

   Similarly, the Royal Papua New Guinea Constabulary (RPNGC) has provided some information on investigations and prosecutions of legal persons for ML/TF related crimes. As will be seen, there is very little information available.

   Based upon the data, this Assessment then attempts to characterize the most common typologies of abuse. However, there are gaps in the data (discussed in Section 2.1.7 below) that makes this characterization difficult.

3. PNG does not have an "offshore" incorporation industry. Therefore, concerns about the actions of TCPSs are muted.

4. Questionnaires seeking information on legal structures were delivered to numerous outside experts from civil society including law firms and academics. Unfortunately, only 4 questionnaires were returned (each from a DNFBP). Those that were received were analyzed and their information is discussed later in this LPA.

2.1.4 Risk Mitigation

The 2023 BO Guidance[14] directs countries to undertake appropriate steps to mitigate risks identified in the legal persons assessment. There are a number of measures that can be taken in PNG to assist with compliance, some of which will be country-specific and others entity-specific. Those that are entity-specific are addressed in the sections for each entity. The final section of this Assessment also contains recommendations for future actions.

2.1.5 Legal persons and cross-border risks

The 2023 BO Guidance[15] notes that complex company structures that span across multiple jurisdictions can present heightened risk. These corporate networks can use one jurisdiction for formation, holds assets in a different jurisdiction, have its physical corporate headquarters in a third jurisdiction with no connection to the assets, and use attorney and accountants from yet another jurisdiction. A legal persons assessment should include consideration of whether there are legal structures in PNG that deploy this sort of structuring to avoid regulation.

As a starting point, IPA has analyzed whether any overseas companies from jurisdictions subject to enhanced monitoring by FATF, known as "grey-listed" jurisdictions, are operating in PNG. IPA has discovered 7 such entities. Further, IPA has found that there are two local companies in which two of the companies from grey-listed countries are shareholders. In response IPA has issued inquiry letters to these two local companies seeking beneficial ownership information. IPA has also discovered an overseas company from a grey-listed jurisdiction that is active in PNG but may have been struck off in its home jurisdiction. IPA is making further inquiries on this entity.[16] As of the date of publication of this Assessment these investigations are ongoing. These initial steps indicate

[14] 2023 BO Guidance, pars. 21-22.

[15] 2023 BO Guidance, pars. 23.

[16] This company holds a PNG foreign investor certification but has apparently been struck off in Nigeria.

that IPA seeks to increase compliance with effectiveness requirements, but that work must continue to have a lasting, meaningful impact.

Additional work needs to be done analyzing corporate structures, but IPA faces significant staff constraints that makes this extremely challenging.

2.1.6 Sharing and disseminating results

The 2023 BO Guidance[17] states that the Assessment should be shared with all competent authorities. Once finalized, this Assessment will be made publicly available. The only information that will not be made available is any sensitive information that might personally identify contributors or that might otherwise be inappropriate for disclosure due to security concerns.

2.1.7 Limitations for this Assessment

There were several material limitations in compiling this Assessment that constrain the precision of some quantitative findings and typology analysis.

1. ILG register data unavailable.

   The Registrar for Incorporated Land Groups did not provide the requested statistical data and other information within the Assessment timeframe.[18] However, a near-finished draft of this Assessment has been updated to include statistics that were provided. There was insufficient time to engage the ILG Registrar further on information provided.

2. Limited prosecution and investigation statistics

   There are very few prosecutions or public case files for money-laundering or other predicate offences[19] involving legal persons in PNG. This scarcity of prosecution-level evidence reduces the Assessment's ability to derive robust prevalence estimates or to validate typologies through court-tested case material.

3. SMR dataset constraints

   FASU provided aggregate counts of suspicious matter reports (SMRs), but the dataset lacks line-level fields necessary for typology analysis of legal persons (entity type, registry identifier, repeat-flag markers). As a result, the Assessment could not reliably disaggregate SMRs by legal person type and fund flows. This Assessment recommends that FASU update manner in which metadata on SMRs is stored and in the interim undertake a manual review of past SMRs to enable typology development (dependent upon resource capability).

4. Lack of information on beneficial ownership arrangements

   Limited access to verified BO records means there is no definitive information on the extent of cross-jurisdictional or complex ownership structures that may affect PNG entities. IPA is now undertaking registry checks to identify companies from jurisdictions subject to FATF enhanced monitoring to identify potential cross-border exposures and has commenced to

---

[17] 2023 BO Guidance, pars. 24.

[18] IPA met with the ILG Registrar office on different occasions in 2025 to attempt to obtain a response.

[19] A "predicate offence" is a crime that can generate large sums of cash, like smuggling or drug dealing.

sending letters inquiring about BO arrangements. While these are important spot-checks, they will yield only indicative rather than conclusive information.

5. Low external questionnaire returns and reliance on institutional knowledge

Questionnaires sent to external experts (law and accounting firms, academics, trade groups) yielded only 4 responses by the cut-off date. To partially address this shortfall, this Assessment draws on IPA's extensive institutional knowledge regarding most legal persons. This is obviously qualitative evidence only is appropriately assigned a lower confidence than actual data.

These limitations have direct impact on the confidence levels for the risk rating for each legal person. For findings that are affected by the limitations above, this Assessment attaches explicit confidence levels (High/Medium/Low) and identifies the gaps that affect that confidence level.

3.0 Papua New Guinea: General Information

Papua New Guinea is a lower-middle-income, resource-dependent economy with roughly 9.5 million people across 462,840 km² of rugged highlands, rainforests, and more than 600 islands. Mining, petroleum, and liquified natural gas provide over half of export earnings, while subsistence agriculture employs 85 percent of the population and underpins village-level trade. Urbanization stands at 13 percent, and customary land tenure governs more than 97 percent of rural land, creating a dual economy marked by infrastructure gaps and governance challenges.[20]

The size of PNG's population is uncertain. The latest population estimate endorsed by the PNG Government is 11,781,559 (2021).[21] Papua New Guineans are divided into over 10,000 ethnic clans, spread across 600 islands. PNG's indigenous population is almost entirely Melanesian, although a small number of Polynesians live on atolls north of Bougainville. Ethnic Chinese have been present in PNG since the nineteenth century and their community comprises around 20,000 people. PNG had a GDP per capita of approximately USD2,900 in 2023 (most recent data available).[22]

The United Nations Development Program Human Development Index ranks PNG 155th out of 193 economies and indicates significant fragilities.[23] PNG has a high poverty rate, estimated to be 39.7% of the population. MSMEs account for about 25% of gross domestic product (in the formal economy), but more than 80% of the population remain engaged in the informal sector.

---

[20] The Asian Development Bank has published numerous studies and articles on Papua New Guinea and its economy. These may be accessed by visiting the ADB PNG homepage at Papua New Guinea and ADB | Asian Development Bank, the source for this paragraph.

[21] There is an ongoing attempt to conduct a census, started in June 2024.

[22] Much of this information is found in the Australian Department of Foreign Affairs country report for PNG. See country-information-report-papua-new-guinea.pdf

[23] UNDP. 2025. *Human Development Report 2023/2024—Breaking the Gridlock: Reimagining cooperation in a polarized World*.

Economic growth accelerated in 2024, driven by both resource and non-resource sectors, with significant improvements in gold and copper production. The ADB has predicted GDP growth of 4.6% in 2025. [24]

The difficult economic situation in PNG partially explains the significant evidence that PNG suffers from problems of corruption.[25] The US Department of State's 2023 Papua New Guinea Country report stated: "Corruption was a problem in part due to weak public institutions, lack of transparency, politicization of the bureaucracy, and the social pressure of traditional clan obligations. Corruption and conflicts of interest were of particular concern in extractive industries, most notably the logging sector, and in government procurement."[26]

While corruption remains a persistent governance challenge in Papua New Guinea, it is important to distinguish between general public-sector corruption and the specific risks addressed under FATF Recommendation 24. Rec 24 focuses on the misuse of legal persons for money laundering, terrorist financing and other predicate offences, not on broader administrative integrity or governmental procurement misconduct. The presence of corruption does not, in itself, constitute evidence of systemic abuse of corporate structures for ML/TF activities. Accordingly, this Assessment evaluates legal-person risks based on ownership opacity, sectoral vulnerabilities, reported instances of abuse, and authorities' access to reliable beneficial-ownership information, and does not investigate general corruption conditions.

Papua New Guinea has been an APG member since 2008 and underwent its second-round APG mutual evaluation in October 2023, with the resulting publication of a Mutual Evaluation in September 2024. PNG's direct AML/CFT legal framework largely rests on the *Money Laundering and Proceeds of Crime Act 2012*, and the *Anti-Money Laundering and Counter-Terrorism Financing Act 2015*, and associated regulations. FASU in the Bank of PNG serves as the financial intelligence unit (FIU) for PNG.

3.1 PNG's 2024 Mutual Evaluation

APG published its most recent MER of PNG in September 2024. One key overall finding from the 2024 MER is that "PNG is not a high-risk jurisdiction for terrorism or TF."[27] Still, unfortunately, PNG as a whole received only a "Partially Compliant" rating, primarily due to its low level of effectiveness in monitoring ML/TF risks.

---

[24] ADB. 2025. [Growth of 3.3% Expected in Papua New Guinea in 2024, 4.6% in 2025 — ADB | Asian Development Bank](#).

[25] Transparency International rates PNG 127/180 on its corruption index. See [2024 Corruption Perceptions Index - Explore Papua… - Transparency.org](#).

[26] [Papua New Guinea - United States Department of State](#). The Report further states: "Corruption remains a significant obstacle to progress in PNG, affecting governance, economic development, and social stability. The country received a low score of 29 out of 100 on the 2023 Corruption Perceptions Index, indicating a high risk of corruption in the public sector. Internal challenges, including climate change-induced disasters, illegal logging, gender-based violence, resource exploitation, and limited capacity, exacerbate corruption. Weak enforcement of anti-corruption laws, limited efficacy of internal codes of conduct, and inadequate oversight further perpetuate corruption."

[27] Executive Summary, Paragraph F, page 5, 2024 MER.

The 2024 MER made specific findings related to PNG's compliance with Recommendation 24. The first relates to the legal persons that are recognized under PNG law:

> Companies are the primary form of legal person in PNG with ILGs, Business Groups and Associations being PNG's other forms of legal persons. Information on the creation and management of these entities is available through legislation and on the registrars' websites. ROC for Companies, Business Groups and Associations, and DLPP for ILGs. The AT [Assessment Team] has placed most weight on companies throughout the analysis of IO.5.

Section 4.0 of this Assessment examines each of these legal persons in detail, with a particular focus on companies.

Specific findings from the 2024 MER that inform this Assessment include that PNG lacks an adequate framework addressing beneficial ownership relationships.[28] The 2024 MER acknowledged that 2022 amendments to the Companies Act require companies to maintain BO information and report it to the Registrar upon request, but that enforcement of these provisions had not commenced.[29] The 2024 MER also noted that "PNG has no mitigating measures for nominee shares, nominee directors and bearer shares warrants. Bearer shares cannot be formed in PNG."[30] Some of these deficiencies have been or are being addressed, as will be discussed herein.

4.0 Description of Legal Persons

This section presents basic information about each legal person recognized under PNG law. Those entities regulated by the Investment Promotion Authority (IPA) are grouped in Section 4.1 as they are all administered via a fully online register system. This modern register system provides capabilities that do not apply to other legal persons, which are discussed separately in Sections 4.2 (incorporated land groups) and 4.3 (cooperatives).

4.1 Legal Persons Administered by IPA

IPA is the primary incorporated business entity Registrar in PNG. IPA oversees the registration process for companies, overseas companies, associations, and business groups (a for-profit entity where membership is restricted to only members of a family or community clan). IPA also manages a foreign investor certification process by which all foreign entities, both incorporated and unincorporated (i.e., non-citizen individuals) must obtain a foreign investor certification before commencing business in PNG.

IPA has maintained an electronic online business entity register since 2013. A significant system upgrade in December 2023 now allows IPA to accept all filings for all entities via the online portal.

---

[28] Paragraph L, Page 115, 2024 MER states: "PNG primarily relies upon CDD BO information of legal persons and arrangements collected by FIs and DNFBPs. Commercial banks and large DNFBPs (with foreign parents) have policies and procedures for basic and BO information collection, but highlighted challenges with verifying this information. For all other FI and DNFBPs information is unlikely to be adequate, accurate and available in a timely manner. PNG did not demonstrate RPNGC and/or other competent authorities are actively using CDD BO information in ML or high-risk predicate crime investigations or to trace proceeds of crime - given PNG's significant ML risk, weight has been placed on this."

[29] Paragraph E, Page 116, 2024 MER.

[30] Paragraph H, Page 117, 2024 MER.

Other improvements include running routine compliance jobs to strike off entities that fail to file annual returns and facilitating online searching for the public. The system also allows IPA to pose sophisticated queries against the database, which has assisted in this assessment.[31]

The new database contains information on each entity as to its officially-named owners (shareholders for companies) and management persons (directors for companies). It also contains other information such as the registered office address, principal place of business address, and primary business activity, for all entities. All information is publicly available on the IPA register website. Basic information[32] is available for free, and for a small charge of 10 kina (about USD$3.00) the full details of each entity can be reviewed.[33]

Notwithstanding these improvements, important practical limitations remain. IPA's current register only records legally-named owners and officers: it does not universally contain verified beneficial-ownership data. While the current Companies Act does require companies to obtain and maintain BO information, it is only provided to IPA upon request. IPA has proposed amendments to the Companies Act that would mandate BO information to be filed in the system.[34] IPA is currently exploring giving FASU and the RPNGC direct, real-time access to the system but these arrangements require formalisation.

One key feature of the new system for AML purposes is that filings can only be submitted once a person establishes a client account with the register. The client account applicant must provide all their contact details and upload a government-issued photo ID.[35] Subsequently, all filings submitted to the Registrar may be traced back to the client account under which they were submitted. This audit trail feature strengthens accountability for information submitted to IPA in that all filings are submitted under penalty of law.[36]

A contextual constraint is the national identity environment. Significant portions of the population lack the highest quality identity documents: birth certificates and passports. There is no biometric national ID. IPA's current reliance on government-issued photo IDs (principally driver's licences) to create register user accounts is a pragmatic choice in the absence of robust national ID coverage, but it also creates potential identity assurance gaps. IPA has had less than 3 cases since the new system commenced where a client account holder claimed that they were not the person that submitted a document. In these cases, IPA demonstrated to the account holder the linkage

---

[31] IPA is now able to run queries that produce statistics revealing information such as #s directors by gender, or business activities by province. As will be seen later in this Assessment, this new register also allows IPA to identify overseas companies doing business in PNG that are incorporated in FATF grey-listed countries, and local companies which have shareholders and/or directors from grey-listed countries.

[32] Entity type, name, registration number, date of initial registration, status and registered office address.

[33] There are two reasons for the charge. First, IPA must be largely self-sufficient, so revenue in the aggregate is needed to maintain operations. Second, in charging a fee IPA forces searchers to first create a client account with the register. There is no charge to create a client account. All fee-based transactions create an entry into an audit log, so IPA could, if it ever needed to, track which searcher accessed the details of a given entity.

[34] These amendments are discussed in more detail later in this Assessment. As of November 2025, they have been approved by the Office of the State Solicitor and are progressing through the formal process for all PNG legislation.

[35] The system also requires a valid email, which must be confirmed before the account is established.

[36] While this is not a perfect system it is far better than in prior iterations of the online system or with paper-based registers.

between the client account and the filing via an audit trail.[37] There have been no cases where a court found that a client account has been hijacked via subversion of the system.

IPA does experience situations where there is an internal dispute over which party has the authority to submit filing documents for an entity, usually arising out of boardroom conflicts. However, the filings themselves are not "fraudulent" in the sense of AML compliance mandates: these filings don't seek to hide identity or financial information from regulators. Instead, these filings document internal power struggles over control of the entity. If a fraudulent filing is ever uncovered, it will be immediately obvious which client account submitted the filing.

4.1.1 PNG Companies

PNG companies are formed and regulated under the PNG Companies Act 1997, as amended. The following Table sets out how many companies were in existence as of Dec 31 of each calendar year, and for the half-year ending June 30 2025.

Active Local PNG Companies	2022	2023	2024	2025 as of June 30
Companies	71,027	24,521	31,182	27,956

The number of companies shown on the active register in 2022 (and prior) were overstated because the legacy software was unable to enforce compliance for the failure to file annual returns.[38] Therefore, many companies that should have been struck from the register continued to show as registered and in good standing. When the new system commenced in December 2022 compliance was enforced via a re-registration process, resulting in over 45,000 "dead" companies being removed from the register on December 1, 2023.[39] IPA now conducts compliance on a monthly basis, a significant step forward for IPA and PNG. Consequently, the figure for active companies in 2024 (and through June 2025) provides a materially more accurate count of the number of local companies that are truly active local companies. Overseas companies are not included in these counts and are addressed later.

4.1.1.1 Formation requirements.

To form a local company, the applicant must provide basic, core information about the proposed company to IPA. If the application conforms to law,[40] then a Certificate of Incorporation is issued and the following biographical information about the company is maintained in the IPA online register:

1. Name of the company;
2. Unique company registration number assigned to the company upon incorporation;
3. Names and details of all shareholders and their shareholdings;
4. Names and details of all directors;

---

[37] In one case the filer later admitted they had shared their login credentials with a 3rd party.

[38] This was one of many reasons why IPA switched register software service providers.

[39] The 2024 MER notes that IPA was in the middle of the re-registration period during the investigation phase for the MER. See 2024 MER, paragraph 414, page 120.

[40] Most formation requirements are found in Section 13 of the Companies Act. IPA, through regulatory authority, has augmented Section 13 by requiring additional information on the online forms.

5. Names and details of company secretaries, if any (not required to have one);
6. Registered agent address;
7. Principal place of business address;
8. Principal business activity, based upon PNG's Standard Industrial Code designation; and
9. Location of company records (which must be maintained in PNG[41]).

4.1.1.2 Maintenance of PNG company

The Companies Act contains many provisions that help ensure that information in the official company register is current and accurate, including these key provisions:

1. Changes of shareholders and their shareholdings must be reported to the Registrar within the applicable statutory time period else a penalty applies;[42]

2. Changes of directors or the details of an existing director must be reported to the Registrar within 30 days to avoid a penalty;

3. All addresses must be kept current with a penalty for noncompliance;[43] and

4. All companies must file annual returns. These returns require the company to confirm the identity of all shareholders and directors. The updated register automatically strikes off noncompliant companies without the need for human intervention.[44] A company that is removed from the register has only two years to re-apply to the Registrar to regain active status, but must pay a fine and supply all back due annual returns. If the company misses this two-year reinstatement period it must seek a court order to be reinstated.[45]

4.1.1.3 Beneficial Ownership information

Amendments to the Companies Act in 2022 included new requirements dealing with beneficial ownership. Each company is now required to "obtain and maintain sufficient information to identify the beneficial owners of a share issued by the company." That information must be disclosed to the

---

[41] The default location for company records is the registered office. See Companies Act, Section 164. Accounting records may be kept at a different location, and the company must notify the Registrar of the address of that different location. Companies Act, Section 189. Penalties apply for violations of this provision. Companies Act, Section 189(4)-(5).

[42] New issuances must be reported under Section 44 within one month of the issuance. Transfers of shares are reported under Section 65 and must be filed within 10 days of the transfer. Failure to comply results in a late filing penalty fee administered by the online register. Further, each director that fails to file a Notice of New Issuance under Section 44 commits and offence and is liable to a fine of up to K10,000, and a director that fails to file a Notice of transfer commits an offence and is liable to a fine of up to K5,000.

[43] The change of registered office is governed by Section 162 and a change in the address for service is under Section 168. A change in registered office address only becomes effective 5 days after filing, so there is no gap in when a company has an effective registered office address.

[44] The annual return is called for in Section 215. The authority to remove a company for failure to file an annual return is found in Section 366(1)(f). Section 369(1), added via an amendment in 2021, allows for the direct removal for failure to file an annual return without the need for public notice.

[45] This helps ensure that struck off companies cannot years later be hijacked by unrelated persons. The court order can be sought under Section 371.

Registrar upon request.[46] This new provision then sets out an expansive definition of "beneficial owner" as a natural person who - [47]

> (a) ultimately owns or controls a share or other membership interest in a company, respectfully, or
>
> (b) exercises ultimate effective control over a legal person or arrangement affecting shares or membership interests in a company,
>
> and "beneficial ownership" is to be construed accordingly.

4.1.1.4 Other provisions relevant to ML/TF assessment

There are other unique features of PNG company law that are relevant to this Assessment.

First, PNG imposes a residency requirement: at least 1 director of a local company must reside in PNG.[48]

Second, if more than 50% of the shares of a local company are owned by an overseas person or entity, then the local company must obtain a foreign investor certification before it can commence business.[49] This adds a heightened scrutiny to these foreign-owned local companies as the foreign investor certification process requires more information to be submitted than when incorporating a local company. This process will be discussed later in this Assessment in the section on how an overseas company becomes fully eligible to conduct business in PNG.

Third, in PNG a company may, but is not required, to have a constitution.[50] If a company has a constitution, it must upload an electronic copy to the online register. If the company does not have a constitution, then the Companies Act itself provides what amounts to a default constitution for the company as its shareholders and directors have all the rights, powers and duties set out in the Act.[51]

4.1.1.5. Shortcomings in Companies Act for ML/TF Purposes

The 2024 MER found the following matters were either not addressed or are inadequately addressed in the PNG Companies Act:

Beneficial Ownership. The Act mandates that a company maintain beneficial ownership information and report it to the Registrar upon request. However, the Act does not require reporting BO information to a central repository, and in 2024 the IPA had not taken any action to request BO information from any companies.[52] Further, the 2024 MER found:

> PNG did not demonstrate RPNGC and other relevant competent authorities are actively using basic or BO information in ML or high-risk predicate crime investigations or to trace proceeds of crime -

---

[46] Section 72(2), Companies Act (2021 Amendment).

[47] Section 72(3) Companies Act, (2021 Amendment).

[48] Companies Act, Section 128.

[49] See definitions of "foreign enterprise" and "national enterprise" in Section 3 of the Investment Promotion Act.

[50] Companies Act, Sections 27-29.

[51] Companies Act, Section 28. This is a modern approach to company formation that is more user-friendly to small business. Requiring constitutions (or similar documents) usually requires an entrepreneur to hire a lawyer and incur a significant start-up cost.

[52] 2024 MER, page 116, paragraph D. See also paragraph 406, page 177.

given PNG's significant ML risk, weight has been placed on this. PNG has no mitigating measures for nominee arrangements.[53]

Nominee Directors. The Act does not contain any provisions regarding nominee directors.[54]

Nominee shareholders. The Act does not contain any provisions regarding nominee shareholders. [55]

Bearer shares and share warrants. The Act does not allow for bearer shares, but also does not specifically prohibit them or bearer share warrants.[56]

Voting Rights. While the Companies Act requires a company to maintain a share register with biographical information about each shareholder, the share register is not required to set out information on associated voting rights.[57]

The 2024 MER also found that there was no timeframe for retention of share register information under Section 164 of the Companies Act.[58] However, Section 64 states that share register information must be maintained for 10 years.

4.1.1.6 Mitigation Factors since 2024 MER

In 2025 IPA has undertaken two significant steps towards ML/TF compliance.

First, the 2024 MER noted that 2022 amendments to the Companies Act required companies to maintain BO information and provide it to the Registrar upon request. The MER states that "At the time of the ME onsite visit, PNG was in the transition period of the Companies (Amendment) Act 2022 until the end 30 November 2023. Therefore, implementation by companies was unclear, and ROC, on its own volition or at the request of other competent authorities, had not sought BO information from a company." [59]

In February 2025 IPA finalized a policy to implement the new language in the 2022 Companies Act amendment regarding beneficial ownership. This amendment requires companies to obtain and maintain beneficial ownership information and supply it to the Registrar upon request. The new IPA policy sets out the specific steps that LEAs will use to request the Registrar to seek BO information from companies. The policy was presented to the RPNGC and FASU, which served as both a catalyst to seek enforcement information and to enhance overall awareness of BO issues. FASU has delivered a first set of BO requests under the new policy and in October 2025 IPA delivered request letters to three targeted companies. Similarly, IPA has commenced a program to request information

---

[53] 2024 MER, paragraph 427.

[54] 2024 MER paragraph 425, page 179.

[55]The conclusory findings regarding nominee directors and shareholders are found in the 2024 MER, page 117, paragraph H.

[56] 2024 MER, paragraph 424, page 179.

[57] 2024 MER, paragraph 393. Per Section 37 of the Act, the default position is that in the absence of any contrary statement in the company Constitution, each share is entitled to one vote.

[58] 2024 MER, paragraph 420, page 179.

[59] 2024 MER, Paragraph 418.

from targeted companies that have ties to grey-listed countries. This program will be expanded in the future as resources allow.

In conjunction with this new policy, IPA contracted with the online register software service provider to provide a module within the system to track requests for beneficial ownership information and to record responses from targeted companies. This will allow for a permanent record of responses to be maintained in the system and associated with each specific company. The new module was demonstrated to IPA on November 5 and is now fully operational.

Second, in April 2025 IPA drafted proposed amendments to the Companies Act that would address gaps in the current legislation identified in the 2024 MER listed above. The Amendments would -

1. mandate that all companies must not only "obtain and maintain" BO information, but also proactively report that BO information to a central register that would be maintained by IPA;
2. require disclosure of all nominee director arrangements, with nominee status to be shown on the online register;
3. require disclosure of all nominee shareholders and the manner in which their nomination arose; and
4. specifically prohibit bearer shares and bearer share warrants;
5. require each company's internal share register to indicate voting rights for the shares and classes of shares, if any.

IPA prepared a Consultation Memo outlining the need for the amendment and circulated it to a wide community of stakeholders and to the nation at large via the IPA online business entity website. All members of the public were invited to submit comments. Over 20 commentators responded, and based upon that feedback IPA has finalized a Bill. The Bill has entered the formal legislative process and in late October 2025 received approval from the Office of the State Solicitor, a significant step in moving the legislation forward. The Bill also received NEC endorsement. From NEC, the bill went to the Office of Legal Counsel for review. In late May 2026, OLC sent a revised draft to IPA.

4.1.1.7 Other ML/TF concerns for PNG local companies

There have been no reported cases of local PNG companies being connected to terrorist financing. There have been a very small number of ML prosecutions of individuals that involved local PNG companies in some manner. The first listed below is what is known as the Paul Paraka case:[60]

[60] The information is largely drawn from High-Profile Politicians in Paul Paraka Fraud Case Remain Unaccountable, Says Former PNG Attorney-General Kerenga Kua - One Papua New Guinea and Paraka sentenced to 20 years for misusing K162 million state money - Post Courier.

Case 1: The Paul Paraka case centres on extensive payments from state coffers and public agencies to a prominent law firm and related entities, with allegations that those client funds were received, routed and retained in ways that concealed ultimate beneficiaries and diverted tens of millions of kinas away from their intended public purposes.

Criminal case findings established that between 2007 and 2011 tens of millions of kina were paid into Paraka-linked entities (including PKP nominee companies and a property-investment vehicles) and that those receipts amounted to misappropriation rather than ordinary excessive billing. The case produced convictions and heavy sentences while leaving the public to debate whether higher-level political actors were adequately investigated or held to account, and it exposed complex payment chains that passed through professional-service vehicles rather than straightforward government ledger entries.

For this Assessment the Paraka case demonstrates how professional service firms using opaque corporate entities can function as gatekeepers, repositories and conduits for proceeds of corruption, and conceal the ultimate beneficial owners and economic beneficiaries of misbegotten funds. Mandatory disclosure of beneficial ownership arrangements would likely have made prosecutions easier and could have had a deterrent

The following very high-profile case involved a local company in the mining sector, OK Tedi Mining Limited[61]. It is used here as an example of predicate crimes that can give rise to money-laundering concerns and governance weaknesses. It is not a primary source of money-laundering typologies, since money-laundering was not established in court

Case 2: The Ok Tedi case arose from decades of tailings disposal directly into the Ok Tedi and Fly river systems (discharges were first officially reported in 1999 but had commenced earlier). Over time the mine generated vast revenues that were routed through landowner companies, provincial and state interests, and trust-like arrangements, producing repeated allegations of misappropriation via complex payment chains.

In a controversial verdict, the National Court cleared 6 defendants, citing insufficient accounting and beneficiary evidence to link disputed payments to the natural or legal persons who ultimately received or controlled the funds.

For this Assessment the case is valuable not as proof of an organised corporate money-laundering scheme but as a clear example of how weak controls, opaque legal persons and politicised enforcement create a predicate environment for misuse of companies, nominee vehicles and professional intermediaries. It therefore supports targeted Rec 24 reforms on beneficial-ownership transparency, gatekeeper due diligence and improved transaction traceability. It also underscores the difficulty of obtaining ML-related convictions in PNG.

4.1.2 Overseas Companies

Section 383 of the PNG Companies Act requires overseas companies carrying on business in PNG to register with IPA. The following Table sets out how many overseas companies were

[61] The ANZ Bank Statement at the Centre of PNG's Largest Misappropriation Case | PNGi Central. See also Former PNG PM Peter O'Neill Accuses Marape Government of Misusing Ok Tedi Mine Funds - One Papua New Guinea and K52mil misappropriation case set for ruling today | The National.

registered to do business in PNG as of Dec 31 of each calendar year, and for the half-year ending June 30 2025.

Registered Overseas Companies in PNG	**2022**	**2023**	**2024**	**2025 as of June 30**
Overseas Companies	257	286	332	358

There is a direct relationship between registration as an overseas company in the business entity register and the requirement that an overseas company must obtain a foreign investor certification prior to commencing business in PNG. This section discusses the process for registration as an overseas company, which occurs first. The foreign investor certification process is discussed later in this Assessment.

4.1.2.1 Registration requirements

To register an overseas company, the applicant must provide basic information about the company to IPA. If the application conforms to law,[62] then a Certificate of Registration is issued and the following biographical information about the company is maintained in the IPA online register:

1. Name of the company in its home jurisdiction, which it must use in PNG[63];
2. Identification of the overseas company's home jurisdiction;
3. Unique company registration number from its home jurisdiction;
4. Copy of a Certificate of Incorporation or equivalent from its home jurisdiction;
5. Copy of the overseas company's constitution, if it has one;
6. Unique company registration number assigned to it in the PNG register upon successful registration in PNG;
7. Names and details of all directors;
8. Name, residential address and postal address of one or more persons resident or incorporated in PNG who are authorized to accept service on behalf of the overseas company;
9. Principal place of business in PNG address;
10. Postal address in PNG; and
11. Principal business activity to be undertaken in PNG, based upon PNG's Standard Industrial Code designation.

With regard to ML/TF matters, the PNG Companies Act does not directly require the shareholders of an overseas company to be provided. This gap is addressed in the application for foreign investor certification, discussed below.

4.1.2.2 Maintenance of overseas company

The Companies Act requires overseas companies to keep their details current in the register. Penalties accrue to the overseas company, its directors and all resident agents for the failure to

[62] Most registration requirements for overseas companies are found in Section 386 of the Companies Act. The online register collects all of this information.

[63] In the unlikely event that a local company already has the same name, the overseas company must select a new name to use in PNG.

comply.[64] Changes of shareholders and their shareholdings must be reported to the Foreign Certification Registrar within ten days else a penalty applies.[65]

Just as with local PNG companies, overseas companies must file annual returns. These returns require the overseas company to confirm its details including its directors. The updated register automatically cancels the registration of noncompliant companies without the need for human intervention.[66] IPA business practice allows for an overseas company that has its registration cancelled to re-apply for active status for 1 year after the cancellation. The application incurs a fine and the back due annual return must be supplied.

4.1.2.3 Beneficial Ownership information for overseas companies

There are provisions in the law governing the Foreign Investor Certification that pertain to BO information for overseas companies which will be discussed below in the Assessment.

4.1.2.4. Shortcomings in Overseas Companies Act for ML/TF Purposes

The 2024 MER noted that for overseas companies, confirming or updating the information on the register is required on an annual basis within six months of the end of financial year or 15 months of its previous annual return (s.391 Companies Act 1997). This is not timely.[67] However, it must be read in conjunction with other requirements of the Companies Act, which does require basic information from overseas companies to be updated regularly, such as changes of directors and local addresses. The online register enforces this via charging a penalty for late filings.

4.1.2.5. Specific ML/TF concerns for overseas companies

With one notable exception, the ML/TF vulnerabilities for overseas companies largely mirror those of local PNG companies. This includes a lack of evidence linking overseas companies to TF activities. The notable exception is the extractive industry sector, with the timber sector seemingly being particularly vulnerable to acute corruption (often linked to ILGs) and trade-pricing anomalies. An October 2025 civil-society sector investigation concerning Malaysian-linked logging interests in PNG reported alleged misuse of land leases. This report, titled "Malaysia's Timber Colony: Exposing Malaysia's Grip Over Papua New Guinea's Forests,"[68] documents alleged misuse of land leases by Malaysian companies to exceed harvest limits and other misdeeds.

Similarly, an April 2025 report from the United Nations Office on Drugs and Crime[69] identifies a US$1.65 billion pricing discrepancy in log exports from Papua New Guinea to the People's Republic of China**.** The report is based on an analysis of official trade data between PNG and the

---

[64] Section 389, Companies Act, allows for criminal liability to be imposed on both directors and the overseas company itself. In addition, as a regulatory practice IPA charges a late fee on late filings.

[65] Foreign Investment Act, Section 28(5), which was added in a 2023 amendment.

[66] The annual return is called for in Section 391. The authority to remove a company for failure to file an annual return is found in Section 366(1)(f). Section 369(1), added via an amendment in 2021, allows for the direct removal for failure to file an annual return without the need for public notice.

[67] 2024 MER, paragraph 399, page 176.

[68] Malaysia_s_Timber_Colony__Exposing_Malaysia_s_Grip_Over_Papua_New_Guinea_s_Forests-compressed.pdf

[69] See UNODC ECR25_P2a_Deforestation.pdf, pages 36-37.

People's Republic of China, the destination for 84% of timber from PNG between 2018-2022. The following table from the UNODC report reveals the discrepancy:

Table: Comparison of data for exports from Papua New Guinea and imports in China

YEAR	EXPORTS FROM PAPUA NEW GUINEA TO CHINA		IMPORTS IN CHINA FROM PAPUA NEW GUINEA	
	Volume (m^3)	Value FOB* (US$)***	Volume (m^3)	Value CIF** (US$)
2018	3,604,959	342,543,204.18	3,236,213	803,781,530.00
2019	3,258,674	311,887,688.54	3,271,121	605,407,579.00
2020	2,354,743	213,127,788.93	2,894,936	523,338,687.00
2021	2,335,814	221,949,046.28	2,179,162	493,398,524.00
2022	2,432,748	235,027,784.28	2,343,667	548,809,665.00
Total	**13,986,938**	**1,324,535,512.21**	**13,925,099**	**2,974,735,985.00**

A discrepancy of this kind can be an indicator of potential trade-based money laundering, tax evasion or transfer-pricing abuse, although it does not by itself establish that any particular offence occurred.[70] These concerns were underscored in a sectoral risk analysis of the timber industry published to the FASU website.[71] Overseas companies were not the target of that risk analysis, but it is clear that overseas companies are structurally linked to cross-border financial flows arising from these sectors.

A University of Papua New Guinea business professor (and CPA) offered the following corroborating commentary:

> In privately owned companies that are registered under the Companies Act 1997 and overseen by the Investment Promotion Authority, the lack of thorough verification of ultimate beneficial owners has led to opportunities for concealing the actual controllers of funds.
>
> Local circumstances have greatly intensified these risks: in cash-heavy industries such as retail trade, logging, and small-scale import-export activities, the high volume of physical cash and informal accounting practices have diminished audit trails; in remote provincial areas, the limited presence of regulatory bodies and weaker banking infrastructure have hindered effective monitoring and reporting; and in border regions or areas with significant foreign contractor participation, intricate subcontracting networks and cross-border financial flows have heightened vulnerability to layering and integration risks.[72]

It is difficult to qualitatively assess risk based on this information in that there have been no actual prosecutions of overseas companies for ML/TF offences. Still, the size of the proceeds generated in these sectors, the cross-border nature of the financial flows, and the documented governance and pricing concerns warrant treating overseas companies involved in high-risk extractive sectors as presenting elevated ML risk and as appropriate targets for enhanced due

---

[70] The UNODC report notes there could be legitimate contributors to the pricing discrepancy, including freight, insurance and measurement differences. However, the observed gap exceeds what these factors would reasonably explain. Further forensic replication of UNODC's methodology across additional periods was recommended to confirm the scale of the anomaly.

[71] Money Laundering and Terrorist Financing Sectoral Risk Assessment Forestry Sector – Papua New Guinea_final approved.pdf

[72] Response to questionnaire, University of Papua New Guinea Professor.

diligence. The connection between some overseas companies and ILG-held land further reinforces the need for closer scrutiny.

4.1.3 Overseas Companies: Foreign Investor Certification

In addition to registering as an overseas company registration, PNG law requires that before any overseas company may commence business it must obtain a foreign investor certification issued by the IPA Foreign Certification Division. Importantly, the law also applies to local PNG companies that have more than 50% ownership by non-PNG citizens.[73]

The application to obtain a foreign investor certification is quite rigorous, as detailed below.

4.1.3.1 Registration requirements

The Foreign Investor Certification register is integrated with the IPA's business entity register. This means that an overseas company need not re-supply information already provided to the business entity register. The key new data that is supplied with the Foreign Investor Certification application is shareholder information. The overseas company must provide the names and details of all shareholders and their shareholdings, which would, in theory, allow the IPA Foreign Certification Division to perform appropriate background checks. In practice IPA lacks the resources to undertake background checks on most applicants.[74] The full information required on the foreign investor certification includes:

1. Copy of the passport page from each director;
2. Copy of passport page from each shareholder (n/a publicly traded company);
3. Copies of latest balance sheet or bank statement for each shareholder or director or related entity; and
4. C/V - resume of each shareholder and director.

The online application form requires the applicant to certify under penalty of law that neither the applicant or any officer or director has been convicted of any offence in any jurisdiction punishable by a term of imprisonment of one year or longer or a fine of K100,000.00 or equivalent in any jurisdiction. If Yes is selected, then further details must be provided.

The application must also contain information concerning the financial status of the company, its PNG business plans, copies of PNG real estate leases (if any) it has or plans to enter, and other business details.

As can be seen, significant details about an overseas company and its principals are provided to as part of the foreign investor certification process. However, the 2024 MER found that "[T]his

[73] The law requires any "foreign enterprise" to obtain an investor certification before commencing a business activity in PNG. The term "foreign enterprise" is broad in scope covering not only foreign incorporated entities such as overseas companies but also as noted local companies with overseas ownership. It also covers individual non-citizen investors. Finally, it applies to overseas nonprofits, though they may seek an exemption as their activities do not seek to derive a profit. Section 26 of a 2023 Amendment to the Investment Promotion Act establishes the exemption.

[74] Publicly-traded overseas companies are exempt from this step. Instead, they provide evidence of registration with their stock exchange.

certification process is not focused on preventing foreign criminals or their associates from misusing of legal persons in PNG."[75]

4.1.3.2 Maintenance of foreign investor information

Any change in the details listed on the application for a foreign investment certificate must be reported to the Registrar within 10 working days of the change.[76]

In addition to the annual return under the Companies Act, overseas companies must file what is called an "annual survey" under the Investment Promotion Act.[77] This annual survey is primarily intended to collect economic statistics on overseas investment, but also serves as a confirmation of information in the register, which includes shareholder information. The failure to file an annual survey report will result in the suspension of the certificate, meaning, the certificate holder may not conduct business in PNG.[78] IPA does conduct compliance and de-registers overseas companies that fail to file the annual return. It also suspends then ultimately cancels the foreign investor certificate if the annual survey is not filed.

4.1.3.3 Beneficial Ownership information for overseas companies

In 2023 PNG enacted a significant amendment to the foreign investor certification law.[79] This Amendment contains several provisions regarding beneficial ownership that significantly enhance PNG's overall compliance efforts.

First, Section 3 of the Principal Act has been amended to include a new definition for beneficial owner:

> "beneficial owner" means a natural person or persons who ultimately owns or controls a share or other membership interest, respectfully, or who exercises ultimate effective control over a legal person or arrangement affecting shares or membership interests.

Next, Section 28 of the Act sets out what must be included on the application for certification. This includes the requirement that beneficial owners be named on the application:

> 1) In this Part and in Part VII, unless the contrary intention appears, a person is deemed to be an owner of an enterprise, if that person has -
>
> (a) ownership of any shares in, or any part of the enterprise; or
>
> (b) the power to control or otherwise direct the actions or activities of the enterprise; or
>
> (c) ownership of any shares in, or any part of an enterprise which owns shares in, or owns any part of the enterprise.
>
> (2) For the purposes of this section, it is immaterial whether ownership or control -

---

[75] 2024 MER, paragraph 410.

[76] Section 28(7), found in the 2023 Amendment to the Investment Promotion Act.

[77] Section 28B, found in the 2023 Amendment to the Investment Promotion Act.

[78] Section 29C, found in the 2023 Amendment to the Investment Promotion Act.

[79] Investment Promotion (Amendment) Act 2023.

(a) is direct or indirect, express or implied, or formal or informal; or

(b) is capable of being acquired or exercised only as a result of an agreement, arrangement, understanding or practice whether conditional or unconditional.

Then, Section 32(2) of the Act requires that changes of ownership—including any beneficial ownership—must be reported to the registrar within 10 days of the date of the change.[80] However, there are reasonable thresholds that determine whether reporting is necessary:

(3) …[t]he change in ownership, shareholding or beneficial ownership or control -

(a) is less than 10% in any one year or represents a change of less than 25% in the ownership of the enterprise as from the date of certification under this Act; or

(b) arises from an alteration in ownership of an enterprise which is a subsidiary of a holding company where the ownership of the holding company does not change and the enterprise remains a subsidiary of that holding company; or

(c) is of a listed foreign enterprise; or

(d) arises from an alteration in ownership of an enterprise which is a subsidiary of a listed foreign enterprise where the enterprise remains a subsidiary of that listed foreign enterprise.

Collectively, then, Sections 32(1), (2) and (3) could function as a quasi-mandatory beneficial ownership reporting regime for overseas companies (with reasonable threshold levels). However, the purpose of this language was not aimed towards AML compliance but rather to allow IPA to check whether overseas persons are conducting business activities that are reserved for citizens via the "reserved" list. IPA has not used these provisions to target overseas companies as part of a beneficial ownership compliance regime. Proposed amendments to the Companies Act (discussed earlier in this Assessment) are more targeted towards beneficial ownership compliance and would explicitly apply to overseas companies.

4.1.4 PNG Associations

An association is a type of nonprofit incorporated entity unique to PNG. It is broad in nature, accommodating traditional NPOs like charities and clubs, but also business-related entities like trade groups and chambers of commerce. It can also include religious entities. Most NPOs in PNG are localized and small-scale. Many are organized along clan lines or by "wantok," literally meaning "one talk," or those who speak the same language. Further, nearly 97% of land in PNG is customary land, and landowner associations are common, often where resource extraction is occurring on customary land.

PNG associations were formerly regulated under the PNG Associations Incorporation Act 1966. This Act was repealed and replaced in 2023 with a new Associations Incorporation Act. The old Act did not contain an annual return filing requirement, so there was no efficient legal process to

[80] Subsection (2) provides: "Subject to Subsection (3), where there is a change in the ownership, shareholding or beneficial ownership or control of a foreign enterprise, the foreign enterprise shall, within 10 days of the date of the change, apply for a certificate under Section 28." Thus, these provisions also apply to local companies that have more than 50% overseas ownership. Subsection 32(4), Investment Promotion Act.

remove inactive associations. The new Act fixes this gap by mandating and annual return filing with de-registration for noncompliance. To address the lack of past compliance the new Act has a re-registration provision that requires all associations to re-register under the new law within 1 year or be struck from the register. Unfortunately, even though the new Act passed in 2023, a delay in enacting regulations[81] resulted in the Act only commencing July 1, 2026. This delayed the start of the re-reregistration process that is needed to determine what associations are truly active.

When the new online system went live, practical concerns necessitated that all associations filed what was called a "transitional update notice" to collect information in a format accepted by the new system. However, there was no penalty for the failure to file as the true re-registration provisions were not yet active. The upshot is that an association that has not submitted any filings for several years would still have an active status in the register.

However, the register can report on all associations that have filed the transitional update notice, which is an excellent proxy for the number of associations that are active. The Table below sets out how many associations were shown as active on the IPA database as of Dec 31 of each calendar year.

Active PNG Associations	2022	2023	2024	2025 as of June 30
	2,027	4,128	5,895	6,978

4.1.4.1 Formation requirements

Under both the old and new law, the procedure to incorporate a PNG association is unique in that it is a multi-step process. An Applicant files what is called a "Notice of Intent to Incorporate" that contains details about the proposed association. Once the Notice is accepted by IPA, the Applicant must then publish a newspaper notice of their intent to incorporate. Any member of the public may object, and if an objection is lodged with IPA, then a process is undertaken to resolve the objection. Only when all objections have been satisfactorily overcome can incorporation proceed. If an objective is found to be legitimate, the incorporation is not allowed to proceed.

This basic process was set out in the original 1966 Associations Act and was largely retained in the 2023 Act, though a few updates were made in the new law to account for online filing. The following are the detailed steps required to incorporate an association under the new Act.

<u>Process to incorporate</u>

1. The first step to incorporate an association is to file the Notice of Intent to Incorporate an Association with IPA.[82]
2. Once the Notice of Intent is accepted/approved by the Registrar the Applicant will publish a public notice of the Intent in the national newspaper.

[81] The delay was not attributable to factors outside the control of IPA.

[82] This is one of only 2 filings that IPA will still accept in paper format. This decision was taken so as to assist small, rural associations that might not have access to internet or to devices suitable for providing all the information required as the form is quite long.

3. Any person may object to the incorporation by filing a notice of objection with IPA.[83]

4. If no objections are received within 60 days from the date of this Notice, the incorporation may proceed. The Applicant will have 6 months within which to submit the final Application to Incorporate;

5. If an objection(s) is received, the registry will send an email to the Applicant and a different process must then be followed, with the Applicant being given a chance to respond to the objection. The Registrar will consider the grounds on which the objection(s) was raised and the Applicant's response and make a determination on whether the incorporation may proceed. The decision of the Registrar may be appealed to the Minister.

<u>Information that must be provided in the Notice to incorporate</u>

1. *Association Name*. The proposed name must be stated.

2. *Objects of the association*. The Notice must provide a narrative of the purpose of the association. Associations can be formed for a charitable purpose but also for other reasons such as to support, agriculture, art, education, health, science, religion or a business organization (like a chamber of commerce). The key requirement is that an association may not pay any form of distributions or dividends to its members.

3. *Subtype of association*. The new law recognizes two types of association: public benefit and mutual benefit. Public benefit associations are those that serve a public good for the general population, such as charities. A member benefit is organized to benefit its own members, like a chamber of commerce or industry-specific group like a coffee growers association. A 2023 NPO Assessment found that member benefit associations pose less ML/TF risk as donors are known. But, given that the re-registration has not yet occurred, it is not certain how this information was derived. A full assessment will be in order after the one-year re-registration period is concluded

1. *Committee members.* Associations are governed by what are called "committee members," which are the equivalent of company directors. The new Act requires committee members to be named in online register, and this was instituted by IPA via its general regulatory powers in 2024. Further under the new Act, each association must have at least 3 members, one of which be a resident of Papua New Guinea. When associations re-register under the new law, they will be required to comply with these provisions

2. *Qualifications for membership*. If the association has any qualifications for membership they must be listed, such as being resident of a certain region.

3. *Public officer(s)*. Each association must have at least 1 or more public officers, at least one of whom must reside in Papua New Guinea.

4. *Addresses*. The principal place of business of the association and its registered office address must be provided and kept current.

5. *Rules*. Every association must have Rules, which is a document that sets out certain internal rules about how the association is to be managed. The Rules may always be changed, and if they are then the amended Rules must be filed with the Registrar.

6. *Primary business activity*. The Applicant must designate the primary intended business activity of the association.

[83] Section (9)(1) lists the acceptable grounds for objection, which include that the applicant is not authorized to speak for the would-be members of the association, that it is to be formed for an improper profit or other purpose contrary to public policy, or that any proposed committee members are ineligible to hold office.

Objections to incorporation

Once the Notice of Intent has been approved, the applicant must undertake a public notice to complete the incorporation. After the public notice has been published, there is a 60-day objection period during which any person may object to the incorporation. If no objections are filed, the applicant may proceed with the final step of incorporation, which is to file the Application for Incorporation. If anyone objects to the association, the objection must be filed using the online registry, the Registrar will consider the objection and any response and determine if the incorporation may proceed. Either the applicant or the objector may appeal the Registrar's decision to a Principal Magistrate for final resolution.

Application to incorporate.

After the objection process is finished and if the incorporation is allowed to proceed, then the applicant will file the Application for Incorporation. The Applicant may not change any significant information from what was previously submitted on the Notice of Intent.[84]

4.1.4.2 Maintenance of associations

Associations are required to file updates with the Registrar when core information changes. This includes changes in committee members[85], its rules,[86] and relevant addresses.[87] There are penalties for noncompliance. In a significant improvement, the new Act introduces the requirement that all associations must file annual returns[88] and can be struck off for the failure to file.[89] The re-registration take the place of the annual return in the first year, so the first true annual returns will be due July 2027.

4.1.4.3 Recent NPO Risk Assessments

There have been two recent nonprofit risk assessments in PNG, completed in 2022 and 2023. The 2023 "Update to the Non-Profit Risk Assessment" (NPO Assessment) contains the most relevant and current information about the nonprofit sector, which includes Associations. The NPO Assessment found that there were 10,256 total registered associations as of September 2023. Of these, 7,584 were found to meet the definition of "FATF NPO." While these numbers were an accurate reflection of the information on the old IPA database, they have been supplanted by data available in the new upgraded IPA register, and reference should be made to the counts shown on the Table in 4.1.4 for more accurate data.[90] It is virtually certain that the number of active FATF

[84] If information could be changed this would undercut the objection process: the public would not be advised on the particulars of a proposed association such as to be able to make an informed decision on whether to object.

[85] Section 28, Associations Incorporation Act 2023.

[86] Section 21, Associations Incorporation Act 2023.

[87] Section 97, Associations Incorporation Act 2023.

[88] Section 77, Associations Incorporation Act 2023.

[89] Section 108(a), Associations Incorporation Act 2023.

[90] Even though the re-registration process has only commenced July 1, 2026, when data was migrated to the new system all associations were asked to complete a "transitional update notice." This was a free filing that allowed associations to update their data to make sure all was current. An association was not able to submit any filings until this transitional notice was filed. The numbers of active associations shown on the Table in 4.1.4 are those that have filed this transitional notice and therefore these statistics are a good indication of actual active associations.

NPOs associations is less than that reported in the NPO Assessment. An even more accurate count will be available once the re-registration process called for in the new law is completed.

The NPO Assessment classified PNG NPOs, looking to identify those that would be most likely at risk for terrorist financing abuse.[91] Based upon available information, 1,012 NPOs were considered to be of higher risk. This group was largely comprised of those primarily engaged in charitable activities (particularly foundations), large associations and larger foreign NPOs. Foundations and other entities that received general donations from the public—as opposed to member organizations that know their donors—were deemed potentially the most at risk.

Notably, the NPO Assessment stated there were no reported terrorist financing or terrorism-related case in PNG connected to NPOs.[92] There were also no reported suspicious matter reports or police investigation of an NPO for terrorist-related activities.[93] The NPO Assessment further found that "[T]here is no evidence or reasonable grounds to believe that bad actors are abusing potential vulnerability to misuse NPOs in furtherance of terrorism or terrorist financing."[94] FASU re-confirmed this statement in August 2025 for this Assessment.

The NPO Assessment relied heavily on an analysis of the new 2023 Act. The new Act is intended to modernize the law governing NPOs, and increased compliance with ML/TF standards is a natural result of this goal. There are also provisions introduced with the specific aim of addressing shortcomings noted in the PNG 2017 NRA, such as requiring identification of committee members[95] and requiring enhanced financial record keeping and, in some cases, submitting audited financials to the Registrar. These are all detailed below.

4.1.4.3 2024 Mutual Evaluation Directives for future work

The 2024 MER summarized the NPO assessments as follows:

> "247. PNG has conducted two NPO risk assessments in 2022 and 2023 (finalized during the onsite visit) to supplement the assessment in the 2017 NRA. The 2023 NPO risk assessment concludes that the sub-set of NPOs at risk for abuse of TF totals 1,012 associations, which comprises public benefit associations (i.e. foundations or charities) and larger foreign NPOs. While the update used the information provided by the ROC, there was no engagement with the NPO sector in the process. The authorities have a dissemination plan, which they are encouraged to implement, since as of the last day of the onsite visit, the risk assessment had not been shared with the sector. Together these risk assessments provide for a risk-based approach; however, due to the recent completion of the 2023 risk assessment, PNG is yet to implement proportionate measures for identified at-risk NPOs.

---

[91] The NPO Assessment followed World Bank Guidance in this analysis, looking at factors such as: geographic risk, size, internal structure, method of service delivery (formal financial institutions, alternative remittance, or cash), and risk appetite. It also considered the size of each entity.

[92] Similarly, the earlier 2022 NPO Assessment states: "An assessment of NPOs in PNG has identified 8,109 NPOs that fit the FATF definition of NPOs. An assessment of the areas in which those NPOs operate has identified that none of them operate in; have links to; or have ever provided funding or assistance to conflict areas or areas in which terrorist organisations operate. The risk of these entities sending funds or resources to conflict areas or areas considered to be high-risk for terrorist financing is assessed as low."

[93] NPO Assessment, paragraph 40.

[94] NPO Assessment, paragraph 49.

[95] Committee members are analogous to directors of a company.

It is important to highlight that the implementation of the general requirements undertaken to date will be useful to this effect. From discussion with various NPOs, the AT did not receive any concerns that would impact their activity with the implementation of the AIA 2023."[96]

The 2024 MER specifically referenced associations and work that needed to be completed in order to bring associations into compliance with ML/TF Recommendations:

"PNG should continue making progress with the Association re-registration process (and take necessary enforcement actions against those NPOs operating without renewing their registration) without disrupting the implementation of a risk-based approach to protecting NPOs from TF abuse including by completing the recommendations in the 2023 Update to the NPO risk assessment, which are: (i) a further update to the NPO risk assessment, once the current re-registration process is complete, (ii) development of educational materials and best practice guide focusing on TF, and (iii) development (and also the implementation) of policies and procedures for monitoring the sub-set of at-risk NPOs." [97]

IPA has partially satisfied these directives.

IPA engaged in a country-wide public outreach campaign in which presentations were made regarding ML/TF risks and overall good governance practices for associations. The locations and dates of these outreach programmes are as follows:

Location	Provinces /Locations Covered	Dates
Lae/Goroka/ Mount Hagen	Highlands/Momase – Lae (Morobe), Goroka (Eastern Highlands) and Mt Hagen (Western Highlands)	09th – 20th June 2025
Kimbe / Bialla	Kimbe & Bialla (West New Britain Province)	09th – 23rd August 2025
Manus & NIPS	Manus, Kavieng & Namatanai (Manus & New Ireland Province)	21st August – 05th September 2025
Kokopo, Buin, Arawa & Buka	Buin, Arawa, Buka (Autonomous Bougainville) Kokopo 9 East New Britain)	25th August – 05th September 2025

In October 2025 IPA posted materials to its business entity website warning against ML/TF risk and setting out specific, practical steps that an association can take to mitigate risks.[98]. IPA plans to leverage its online register to deliver information to all client account holders advising them of the availability of these materials. This will be part of the information campaign around commencement of the new Act. Further, IPA will again engage in public outreach to advise all associations of the re-registration requirement in the new Act. This will provide another opportunity to educate the public on ML/TF issues.

[96] 2024 MER, paragraph 247, pages 83-84.

[97] Section 10.10, subsection E, page 78.

[98] This links to the IPA Online Register site: Papua New Guinea Registry Services. Click on the tab called AML and Compliance to review several documents generated by IPA related to AML matters.

IPA has not yet developed comprehensive policies and procedures to monitor the subset of at-risk NPOs. This work will proceed in the second half of 2026. It will be able to be more targeted once the re-registration exercise is concluded next year as re-registration will allow for definitive characterization of all associations as a public benefit/charitable or some other type of entity, and also will lead to larger associations submitting audited financials.

4.1.4.4 Beneficial Ownership and other ML/TF provisions

There are two specific matters that relate to ML/TF addressed in the new Act: beneficial ownership and nominee directors.

Beneficial Ownership. As a nonprofit entity, associations do not have equity ownership interests that are equivalent to shareholders in a for-profit company. Associations may have members who have certain rights like the right to vote on management, but those members do not receive dividends or other distributions from the entity as an association is prohibited from paying these monies to members. Still, given how associations have been used in PNG in relation to extractive industries, the new Act contains beneficial ownership provisions as they relate to memberships.

First, Section 87 of the new Act now requires all associations to maintain a register of members and maintain that information for five years.[99] The association may only treat a registered member as the person entitled to exercise membership rights, including the right to vote.

Section 89(1) then defines a beneficial owner as a "person who ultimately owns or controls the membership without their name appearing on the member register." Section 89(2) requires each association to -

(a) maintain sufficient information to identify the beneficial owner of a membership in the incorporated association if the committee of the incorporated association becomes aware that there is a membership with a beneficial owner; and

(b) disclose that information in a written notice to the Registrar on the written request of the Registrar without the necessity for a Court order requiring disclosure.

The 2024 MER noted that these provisions had not yet been enforced as IPA had not delivered any requests for BO information to any association. This remains true as of the date of publication of this Assessment as the full implementation of the Act has only commenced. Now that IPA has clear statutory authority to send out BO requests, it may proceed with spot check of suspect associations. However, this work will likely be more effective once the re-registration period concludes.

"Shadow" committee members. Associations do not have directors, rather, they have what are termed "committee members." A committee member is analogous to a company director, just by another name. The new law contains provisions regarding "shadow" committee members, defined as follows:

> "shadow committee member" is a person who, despite not being registered or formally appointed as a committee member—

[99] "Member" is defined as a person listed on the membership register or who has the right to vote for committee members, or who otherwise satisfies the qualifications for membership. Section 3, Associations Incorporation Act 2023.

(a) acts in the role of a committee member; or

(b) is a person in accordance with whose directions or instructions a committee member is required or is accustomed to act; or

(c) who otherwise exercises control over committee member powers.

Shadow committee members are therefore largely analogous to nominee directors for companies must be reported to the Registrar on the Notice to Incorporate.[100] This will be implemented in the register via the re-registration process. Shadow committee members are subject to the same rights and responsibilities (including potential liabilities) as officially-named committee members.[101]

4.1.4.5 New reporting requirements

A unique aspect to associations is that they are sometimes used as an umbrella organization by several different incorporated land groups that seek to work together. In a typical situation, 3 or more ILGs would be the members of the association, and a representative from each ILG would serve as the committee members of the association. This often occurs where the ILGs are involved in mining, logging or agriculture, and the association is colloquially termed a "resource association."[102] These types of arrangements have caused problems in the past. Under the 1966 Act, there was virtually no transparency into the inner workings of an association either to regulators or to its regular members. The new 2023 Associations Act addresses these arrangements in several ways:

Accounting Records. Every association must now keep adequate accounting records that show the association's financial status.[103] The entries must include details of monies received from all sources. Additionally, for any donation in excess of K10,000.00 from a single donor in a calendar year, the association must obtain the donor's name, jurisdiction and contact information.[104]

Annual Report. Every association must prepare an annual report[105] that contains detailed information about its activities in the preceding year.[106] The annual report is to be made available for inspection at the association's principal place of business.[107]

---

[100] Sect. 6(2)(b)(ii), Associations Incorporation Act 2023.

[101] Section 47(1).

[102] This information is supplied by IPA. As the Registrar for associations, IPA has ready access to information about their makeup.

[103] Section 72, Associations Incorporations Act 2023.

[104] Section 73(2) details what information must be included in the accounting records, including the requirement regarding large donor.

[105] Section 74, Associations Incorporation Act 2023. A member benefit association may opt out of preparing an annual report if its Rules state that an annual report need not be made. This is in recognition that member benefit associations by their nature are funded via membership dues and have active members that are roughly akin to shareholders in a company and therefor have incentives to oversee their own operations.

[106] Section 76, Associations Incorporation Act 2023 sets out what is required to be set out in the annual report. It includes detailed financial information about the association.

[107] Section 75, Associations Incorporation Act 2023.

Financial Statements. Sections 78-80 require larger associations to prepare audited financial reports, which are to be filed with an association's annual return.[108] These provisions were specifically intended to bring transparency to resource associations to promote better internal governance. Regulations enacted under the new Act state that any association that either receives K500,000 in donations or else has annual gross revenue of K2,000,000 must prepare and submit audited financial statements.

Employee salaries. To bring transparency to the salary structure of all associations, where an association pays any single employee over K150,000 then the association must include that in its annual report to its members.[109]

Member inspection of association records. Section 84 requires all associations to maintain internal records at its principal place of business and make those records available for inspection by its members. The documents to be maintained include the rules of the association, meeting minutes, a member register, and past annual returns. Similarly, Section 86 allows a member of an association to make a request for information from their association at any time.

4.1.4.5 Additional ML/TF information for associations

The two prior NPO risk assessments did not find any connection between PNG associations and terrorist financing. Conversely, there is a perceived higher-risk of associations being misused for unapproved activities which could involve money laundering. Responses to questionnaires from civil society (in this case, law firms) revealed the following specific instances of misuse of associations:[110]

Case 3: An incorporated association used cash proceeds from one of its services and paid cash to an employee of a company for an illegal service under the pretext of another service.

Case 4: An incorporated association regularly receives funding from its donors and has a steady flow of income. The associations funds received were used to sponsor a building project. The association later found out that 2 wings of the building project were used to grow marijuana.

These cases are likely illustrative of the types of improper (or illegal) misuse of associations funds. However, with no prosecutions providing real and tested evidence, it is difficult to draw comprehensive conclusions. Stil, it is reasonable to conclude that PNG suffers from at least the same levels of misuse that occur in the rest of the world. A 2024 comprehensive study by an international association of fraud examiners found that approximately 5% of a corporate entity's funds are misused in some manner by the entity's employees or other closely-related persons.[111]

---

[108] Section 77(3), Associations Incorporation Act 2023. Section 81 allows member benefit associations to opt out of preparing financial statement if it did not receive excessive donations from the public or receive government grants.

[109] Section 76(f), Associations Incorporation Act 2023. The "employee threshold amount" is set by Regulation.

[110] The associations are clients of this law firm and thus were not named. The matters were handled internally and there were no prosecutions.

[111] See the 2024 report by the Association of Certified Fraud Examiners at 2024 ACFE Report to the Nations. For a summary of how this impact the NPO sector specifically, see A Violation of Trust: Fraud Risk in Nonprofit

The most common fraud schemes affecting nonprofits include billing/vendor fraud, cash/receipt skimming, and expense fund reimbursement fraud. The primary detection method is whistleblowing, where an insider discovers fraud and reports it internally or to the authorities.[112]

IPA is aware of the public perception that there are serious misallocations of association funds. It is difficult to reconcile this perception with the lack of prosecutions or even reported investigations of associations. The lack of prosecutions may be more consistent with detection, reporting and enforcement constraints than with demonstrable absence of misuse. There are also societal reasons behind lack of prosecutions:

1. Local-level handling and informal resolution: matters may be frequently resolved privately, through community sanctions, donor remediation, or internal audits rather than criminal prosecution resulting in press coverage.
2. Political and reputational sensitivity: prosecutions involving community associations can be politically costly, so authorities (and even donors) may prefer to address issues privately.
3. Weak incentives to publish: media resources and court reporting capacity are limited and local incidents outside the metro areas may never reach the national press.
4. Evidence and prosecutorial threshold: donors and regulators may detect governance problems but lack admissible evidence linking association officers to criminal intent, so criminal charges are not pursued.

One commentator noted what they perceived as a potential risk. They stated that associations that provide retail goods or services for cash do not need to produce invoices for every transaction. Instead, a record of total money received is sufficient to comply with Sections73(3)(a) and (b) of the new Act. Section 73 provides in full:

73. FORM AND CONTENT OF ACCOUNTING RECORDS.

(1) The accounting records must—

(c) correctly record the incorporated association's transactions; and

(d) at any time enable the incorporated association's financial position to be determined with reasonable accuracy; and

(e) enable the incorporated association's financial statements if required to be prepared by this Act to be readily and properly audited.

(2) Without limiting Subsection (1), the accounting records must contain—

(a) entries of money received, whether from sales of goods, provision of services, receipt of donations, membership dues, land rentals, royalties derived from the use of land or licences, receipt of grants, and any other source whatsoever; and

(b) for donations received over K10,000.00 in value from a single donor in a given accounting period, the name, jurisdiction and contact information for the donor; and

(c) entries of money spent and, for transactions over K20,000.00, details on the matters to which the money relates; and

---

Organizations | Nonprofit Risk Management Center and Understanding Fraud, Waste and Abuse for Not-for-Profits | Weaver.

[112] See also FATF, The Role of Non-Profit Organisations in Terrorist Financing (2015).

(d) a record of the incorporated association's assets and liabilities.

(3) If an incorporated association sells goods or provides services for cash in the ordinary course of carrying on a retail business,—

(a) the incorporated association need not keep invoices for each retail transaction; and

(b) in respect of those retail transactions, a record of the total money received each day in respect of the sale of goods or provision of services, as the case may be, is sufficient compliance with this section.

Subsection (3) represents a policy choice by the PNG Government to try to balance competing goals: not placing overly burdensome accounting recordkeeping obligations on smaller nonprofits while still allowing for appropriate oversight by outside auditors should an investigation ever be instituted.[113]

4.1.5 Overseas Associations

The old 1966 Associations Act did not recognize overseas non-profits. The new Act recognizes overseas nonprofits and provides a means for them to properly register. Under the new Act, an overseas association must submit an application for registration to the IPA before commencing operations in PNG. The Application collects nearly identical information to that required of a domestic association, with additional details concerning the home jurisdiction of the overseas association.[114] Overseas associations are required to file annual returns and can be de-registered for the failure to file.[115] They must also prepare financial statements as to their PNG activities.[116]

In the past, nonprofits that sought to operate in PNG were required to register as overseas companies. Under the Act, the re-registration process contemplates that these legacy overseas nonprofits will re-register under the new Act. It is unclear how many overseas non-profits are currently operating in PNG as the register cannot make this distinction until the re-registration process is finished and a complete dataset is available, though IPA believes the number to be less than 100.

Under the Investment Promotion Act, an overseas incorporated NPO is required to obtain a Foreign Investor Certification before commencing operations in PNG. However, the law recognizes that an NPO does not invest in the economy like a for-profit entity. Therefore, the foreign investor law allows for a NPO to apply for an exemption from the foreign investor certification process.[117] Any application for an exemption must be published and any member of the public may raise an objection.

[113] Subsection (3)(a) recognizes that the smallest associations may have a cash till at a church or other civic centre from which small sales are made. It would be overly burdensome for such an operation to be forced to handwrite receipts for every sale.

[114] Section 123, Associations Incorporation Act 2023.

[115] Sections 124 and 131, Associations Incorporation Act 2023.

[116] Section 126, Associations Incorporation Act 2023.

[117] Section 26, Investment Promotion Act, added in the 2023 amendment.

4.1.6 Business Groups

Business Groups are formed under the Business Groups Incorporation Act 1974. However, a significant amendment in 2022 has updated the older law and contains many provisions that aid in ML/TF compliance.

A business group is an incorporated entity that acts on behalf of certain customary and other groups (such as extended families). If the proposed entity does not represent a true customary group, then it should incorporate as a regular company.

The following Table sets out how many business groups were registered to do business in PNG as of Dec 31 of each calendar year, and for the half-year ending June 30 2025.

Registered Business Groups in PNG	2022	2023	2024	2025 as of XXX
Business Groups	750	2,043	3,309	4,028

The number of business groups shown on the active register is likely misleading in that historically there has been no regular compliance under the Business Groups Incorporation Act. Under the 1974 Act the Registrar could "wind up" a business group upon receipt of information that the entity is no longer doing business,[118] but this is undertaken on a one-off basis. The 2022 amendments now require an annual return, which is discussed below.

4.1.6.1 Formation requirements.

The incorporation process for a business group is unusual due the nature of the entity: it is a corporate entity intended for customary or family-based groups. Perhaps the most unique aspect of the business group entity is the role played by what is called the "dispute settlement authority." All business groups must have a designated dispute settlement authority, and this person(s) must be named on the application to incorporate. This is a 3rd party (or parties)[119] that are called upon if the group is unable to resolve internal disputes. This provision in the law recognizes that customary or family-based groups may have internal disputes that are not necessarily related to the business but may be based on social issues. A dispute settlement authority acts like an is that the dispute settlement authority functions as a governance mechanism (an arbiter) that may reduce certain control disputes before they escalate into litigation.

Before incorporating a business group, the Registrar is empowered to investigate whether the incorporation is proper.[120] As a business process step, IPA always calls for comments from the proposed dispute resolution authority as to their view of the legitimacy of the customary group, plus to make certain they are willing to serve as the dispute resolution authority. If the proposed group does not meet the criteria, then the Registrar will require the entity to be incorporated as a regular company.

[118] Section 28, Business Groups Incorporation Act.

[119] The authority can be a named person or could be a title, such as "person holding the position of village magistrate."

[120] Section 12, Business Groups Incorporation Act.

The following in information is required to incorporate a business group:[121]

Applicants. There must be at least 3 applicants, and they must provide their full names and contact details.

Initial members of the controlling body, the committee. The names and contact details of the initial members of the committee must be provided. There must be a minimum of 3 at all times.

Selection of the committee. The application must establish how to elect members, the number of members, and how it acts.

Addresses include a registered office, postal and principal place of business addresses.

Qualifications for membership. The proposed business group must explain why or how its members constitute a customary or other appropriate group (like an extended family). If the group qualifications do not truly constitute a customary group, incorporation can be denied.

Identification of custom. The application must identify members of the group or the custom under which the group is to operate. In PNG, long-running customs can be integral to group identity.

Business activity. The application will collect the primary activity of the business group.

Dispute settlement authority. The application must identify the person(s) that is to serve in this role.

4.1.6.2 Maintenance of a business group

The 1974 Act was outdated with regard to making sure business groups kept the information in the register current. Amendments to the Act in 2022 made significant improvements with regard to accountability and transparency, including provisions that: i) require any changes to committee members to be filed with the Registrar within 20 days of the change; ii) require an annual return to be filed that confirms all information in the Register; and iii) solidifies the ability to submit electronic filings to the register and for the Registrar to interact with a business group electronically.

There are three primary items that a business group must supply to the Registrar over the lifetime of the entity.

1. A business group must file any changes to its committee members with the Registrar within 20 days of the change.[122]
2. A business group must file an annual statement of assets and liabilities with the Registrar.[123]

---

[121] Most of this information must be set out in the business group's proposed Constitution. See Section 14, Business Groups Incorporation Act. In practice the online register collects all of this information as part of the online application to incorporate.

[122] Section 15A, Business Groups Incorporation Act (2022 Amendment).

[123] Section 23, Business Groups Incorporation Act.

3. When the business group files its annual statement it must also file a general annual return that confirms all information in the register.[124] Under the law, the failure to file the annual return together with the statement of assets and liabilities will eventually result in the business group being removed from the register.[125] The new register system can enforce compliance but IPA has not yet implemented this module so as to better serve the local communities helped by Business Groups. IPA will ultimately need to commence enforcement of these provisions at some date.

4. A business group may also vary at any time the information in its Constitution via an application to vary constitution filed with the Registrar. A variation is not effective until accepted by the Registrar, so there is no time limit within which a variation must be filed.[126]

4.1.6.3 Beneficial Ownership information

The members of a business group are akin to shareholders in a company, but they are not personally identified in the official register. Instead, membership is determined based on the customs or family-based characteristics that define the membership. If an individual meets the criteria, then they are considered a member of the business group. For example, the criteria for membership might be based on *wantok*—a term that literally means "one talk," symbolizing shared language and heritage. In a nation boasting over 800 languages, this custom acts as a potent social adhesive. However, it does not represent an easy match to a business register that expects equity owners to all be named (like shareholders in a company).

The 2022 Amendment to the Act requires committee members to be named and their information kept current. There are no provisions that discuss nominees. Given the nature of the entity where the committee members may, in practice, act in a representative capacity for broader family or customary groups, this complicates the application of traditional nominee concepts used in company law.

4.2 Incorporated Land Groups: Administered by Department of Lands

An Incorporated Land Group (ILG) is an incorporated entity unique to PNG. Established under the *Land Groups Incorporation Act 1974*, ILGs were designed to provide customary clans with a formal legal mechanism to identify, manage and protect customary land interests. The Department of Lands and Physical Planning (Dept. of Lands) is the primary administrative agency responsible for ILGs.

Under the current administrative structure, the Registrar of Titles (under whom the Land Registration Services sit) holds the statutory office of Registrar of Incorporated Land Groups,[127] while the Customary Land Registration Section of the Land Registration Services appears responsible for

[124] Section 23A, Business Groups Incorporation Act (2022 Amendment).

[125] Section 28(2)(f), Business Groups Incorporation Act (2022 Amendment).

[126] Section 15, Business Groups Incorporation Act.

[127] Based on information on the Department of Lands website.

the day-to-day administration and maintenance of ILGs. while policy oversight and legal guidance are provided through the Policy and Legal Services Division.[128]

The ILG Registrar reports that as of December 2025 there had been 1,345 ILG certificates issued, with another 960 proposed ILGs in the process of trying to become incorporated.

4.2.1 Formation requirements.

Registration of an ILG is linked with registration of land. When a parcel of customary land is identified as being traditionally occupied by a particular group, that group can form a corporate entity—the ILG—to hold title to customary land and act as the legal entity through which the group may engage with external parties regarding the land. The application process described below is intended to link the incorporation process with identification of the relevant customary land interests.[129]

1. The intending clan leaders must extend a meeting invitation to all potential clan members of its intention to register their clan through the ILG Process. This notice must be delivered at least 14 days in advance of an organization meeting.
2. During an initial meeting officers are nominated and a draft constitution adopted.
3. An application for an ILG is submitted to the Office of the Director/Registrar of the ILG at the Department of Lands and Physical Planning. The application package must include:
    a) The Application Form (Form 1), which must have been approved by the Provincial Lands Advisor prior to submission.
    b) Record of Meeting Decision (Form 2)
    c) Certificate on Adoption of Constitution (Form 3; Schedule 3 & 7)
    d) List of Members (Form 4) accompanied by Birth Certificates
    e) List of Properties such as land, river, mountains, ridges, creeks etc. (Form 5)
    f) Sketch Map / Google image of Customary Land the Group/Clan owns (Schedule 2)
    g) Proof of 14-days meeting invitation/notice (Section 14.C)
    h) Detail Meeting Minutes containing the Agendas & the Resolutions (Section 14

[128] The ILG Registrar provided a response to the questionnaire approximately 9 months (and repeated follow-up requests from IPA) after it was issued and after a near-final draft of this Assessment had been completed. While the information in their response has been added to this Assessment, the delayed timing limited the ability to engage in dialogue with the ILG Registrar. The delayed timing of the response is also relevant to understanding some of the practical and institutional challenges affecting the current ILG regulatory framework.

[129] One commentator has questioned the sequence of registration of land first, then incorporation. This commentator holds that an application must only indicate a registration plan, not evidence of actual registration. In other words, the corporate vehicle is created first, and only then does land registration occur. Arguably, this is the opposite of the intent behind the reform as intended by the 1973 Commission of Inquiry into Land Matters (CILM). For a discussion of both the history and current practices around ILGs, see the article titled "A Critique of Incorporated Land Groups in Papua New Guinea" at New Report: A Critique of Incorporated Land Groups | Act Now!. The ILG Registrar has not commented on this issue. The article is written from an activist perspective, but does contain valuable insights into potential issues concerning ILGs.

i) Attendance list containing Name, gender and signature of attendees (Section14 D)

4. The ILG Registrar checks the Application and if all is in order, a file is created for the proposed ILG and file number is issued.
5. The Registrar publishes a "Notice of Application" in the National Gazette and in the daily newspapers. The copy of the Notice is then forwarded to the respective District Administrator and Village Court.
6. The District Administrator inspects and verifies the information on the application and reports back to the Registrar (FORM 6).
7. Objections to the proposed incorporation can be lodged, in which case they are typically referred to the local land court for resolution before incorporation can continue.
8. Assuming all verifications and approvals are received, and after the Gazettal of the Notice of Grant of Certificate, the Certification of Incorporation is issued.

Once approved, the ILG is registered as the landowner by the Registrar of Titles. A Certificate of Title is issued to the ILG, signifying the land's registration and ownership.

There are business and/or policy rules which also affect the incorporation process and the assessment of ILGs for ML/TF purposes. These include:

- All members of the ILG must provide birth certificates or a national ID. New clan members can be added over time by providing birth certificates or national ID.
- Clan members who live overseas can be members of an ILG. However, all officers must live in PNG.
- ILGs are not required to obtain a TIN, which is justifiable given that it is not certain that an ILG will engage in commercial activities. However, he absence of a TIN may limit integration with broader financial, tax and regulatory monitoring systems.
- ILGs can appoint persons to act on their behalf via a filing with the Registrar.
- When members change the ILGs must update their record with the ILG Registrar.
- ILGs are required to submit a financial report to the Registrar in compliance with Sect. 14 A-K of Schedule 6 to the Act.
- The ILG Registrar reports no known ML/TF investigations or predicate crime prosecutions specifically involving ILGs.
- When asked whether nominee officers were required to be named, the ILG Registrar indicated that there are no such arrangements—no one but the official officers are recognized. This seems to reflect a misunderstanding of how a nominee arrangement is structured.

4.2.2 Maintenance of ILGs

The Registrar is authorized to conduct investigations of ILGs, but in practice investigations appear primarily complaint-driven.

The Registrar may wind up an ILG in certain situations, including:

a. On receipt of the notice by Incorporated Land Groups or a report from the Dispute Settlement Authority or a village court that the conduct of the ILG is undesirable.

b. If the ILG is unable to pay its debt to its financier or creditors.

c. The name of the ILG is not a traditional customary land-owning group or foreign name adopted.

d. If the conduct of the ILG's affairs is oppressive or unfair to any of its members.

e. Failure of the Management Committee to comply with directives issued by the Registrar.

4.2.3 Shortcomings regarding available information for ILGs

This Assessment confirms findings of the 2024 MER with respect to limitations in available information concerning ILGs. Highlights include:

1. There is no online register that presents ILG information.[130] The ILG Registrar has indicated that there is an ILG electronic database, but it is specifically not accessible to the public. The Registrar indicates that the public can physically visit the office to review the paper files of a given ILG if the search is approved by the Registrar. To search, the public must first submit a request in writing and only upon approval by the Registrar can a file be searched.

2. Similarly, the database is not available to law enforcement. The ILG Registrar stated that the Police are allowed to search the files but only in the presence of Department lawyers. It also appears that the Police would be required to pay the search fees.

3. The Act is unclear on how long ILGs must maintain records.[131]

4. There do not appear to be requirements to file annual returns.[132] However, it is understandable that the ILG framework does not rely on annual-return compliance mechanisms in the same manner as companies, since striking an ILG from the register could create uncertainty regarding land ownership and customary rights.

5. There are no provisions in the law regarding beneficial ownership for ILGs.[133] However, membership in an ILG is limited to persons that live within a tight geographic area, which may offset beneficial ownership concerns for many ILGs. However, ILGs involved in the extractive sector may be vulnerable to influence or effective control by external commercial or political actors. This point is taken up in detail below.

4.2.4 Societal importance of ILGs

In PNG, the vast majority of land is held as unregistered customary land, which is a form of collective land holding in which land is vested in a clan or extended family and is governed by

[130] 2024 MER, paragraph 388.

[131] 2024 MER, paragraph 396.

[132] 2024 MER, paragraph 403.

[133] 2024 MER, paragraph 408.

customary law. Customary land is protected by law. An ILG is the corporate entity through which the customary landowners may collectively obtain title to the land and then and then engage with government agencies, financial institutions and external commercial parties. .[134] In theory, customary land and rights in customary land cannot be sold, leased or otherwise disposed of except to other PNG citizens in accordance with custom.[135] However, there are exceptions to this prohibition that can that may create governance and transparency challenges. There have also been significant challenges that have resulted in inequities of distribution of royalties to customary landowners.[136]

It is beyond the scope of this Assessment to present a comprehensive analysis of problems with resource extraction companies and ILGs.[137] For purposes of this Assessment, it is enough to recognize that the significant revenues that can be derived from customary land has attracted powerful external participants. When external actors exert effective control over ILGs, they may very well meet the FATF concept of beneficial ownership through influence or effective control rather than formal title. This may create vulnerabilities that increase ML risk.

4.2.5 ML/TF challenges presented by ILGs

Public reporting and civil society monitoring indicate suspected widespread governance problems with ILGs, including alleged fraud, duplicate/invalid registrations, misappropriation of benefits from resource projects, and concentration of control among a limited number of individuals, often linked to overseas resource extraction companies.[138] PNG completed a sectoral risk analysis for the timber industry in 2020 and recently published a sanitized version.[139] The report documents significant ML risks arising from this sector, and also notes the possibility of TF-related vulnerabilities arising from cross-border financial flows. The risk analysis does not focus on ILGs, but ILGs are often involved in these projects as the entity which holds title to land on which logging occurs.

While comprehensive, nationwide quantitative data are limited, the persistent reporting of governance and transparency concerns and limitations in Registrar engagement and publicly available information t are themselves material risk indicators. This Assessment therefore treats

---

[134] Importantly, this includes resource extraction companies that have mining, logging or other such interests in PNG. These companies enter into agreements with ILGs to access ILG land for extraction purposes. In theory, these extraction companies have been critical in facilitating landowner identification, obtaining community consent for resource projects, and ensuring that royalties or other revenues from such projects are fairly distributed among traditional landowners.

[135] Lands Act 1996, section 132.

[136] See generally PNG National Research Institute paper "Strategies to Address Challenges in Customary Land Administration, Government and Dispute Resolution in Papua New Guinea" by Flora Kwapena. Logea Nao and Jerry Birop at Discussion_Paper_188.pdf. See also "Sustainability assessment of land transactions and project benefits sharing in Papua New Guinea, Journal of Land Management and Appraisal (Academic Journals AJ)" by Jacob Babarinde.

[137] See ILG Paper June 2019 for a comprehensive discussion of ILGs in PNG.

[138] A local PNG company named Act Now Limited posts numerous articles on various acts of alleged corruption in PNG. Their site includes several postings alleging problems in the resource extraction industry, particularly with forestry. Some of these situations involve ILGs but often also have an overseas company as the driver of the project. See Act Now! | and the section below on overseas companies.

[139] Money Laundering and Terrorist Financing Sectoral Risk Assessment Forestry Sector – Papua New Guinea_final approved.pdf

limitations in available information and delayed institutional engagement not merely as constraints on analysis, but also as factors relevant to assessing transparency and ML vulnerability within the ILG sector, and this is reflected in the higher ML risk rating assigned to ILGs.

4.3 Co-operative Societies: Administered by Ministry of Commerce & Industry

A Co-operative Society is a for-profit entity formed under the *Co-operative Societies Act 1982.* While co-operatives are a for-profit entity, they operate on a different model than does a for-profit company. Instead, they are "to promote common economic and social interest in accordance with co-operative principles."[140] They often arise in the agriculture sector where a number of small growers of a crop (often coffee in PNG) come together to collectively sell their harvest so as to have more market power. The growers then share in the profits based upon the amount of product they supplied.

The Co-operative Societies Unit (CSU) is the lead agency responsible for the registration, regulation, and development of cooperative societies. It operates under the Department of Trade, Commerce & Industry, and is headed by the Registrar of Co-operative Societies. The following table provided by CSU shows the number of co-operatives registered in past years:

SUMMARY STATUS OF CO-OPERATIVES REGISTERED 2021-2025

REGION	2021	2022	2023	2024	2025	TOTAL
MOMASE						
SANDAUN	3	3	5	3	1	15
MADANG	2	3	2	2	50	59
MOROBE	30	50	25	10	9	124
SEPIK	40	6	6	25	19	96
MOMASE TOTAL	75	62	38	40	79	294
NGI REGION						
AROB	30	29	60	74	0	193
ENB	163	28	59	12	1	263
WNB	32	45	38	12	5	132
MANUS	1	9	2	2	1	15
NIP	1	5	2	-	0	8
NGI TOTAL	227	116	161	100	7	611
SOUTHERN						
CENTRAL	123	70	153	52	54	452
GULF	2	5	6	4	2	19
MILNE BAY	11	1	37	27	2	78
ORO	55	5	21	3	7	91
WESTERN	9	4	1	3	1	18
NCD	65	6	15	3	9	98
S/R TOTAL	265	91	233	92	75	756
HIGHLANDS						
ENGA	25	50	30	50	6	161
SIMBU	25	4	6	14	5	54
EHP	15	8	70	40	40	173
SHP	28	30	50	60	20	188
HELA	3	5	10	15	5	38
WHP	80	80	20	15	20	215
JIWAKA	34	28	60	40	4	166
TOTAL	210	205	246	234	100	995
GRAND TOTAL	777	474	678	466	261	2611

The CSU reports that due to lack of funding they have not been able to conduct formal removals for failure to file annual returns. Therefore, it is difficult to determine the number of co-operatives that are actually active.

---

[140] Co-operative Societies Act, Section 21.

4.3.1 Formation requirements.

To form a Co-operative, the following steps must be followed:

Number of initial members. A co-operative requires at least seven (7) initial members. The Application requires that all members be listed, each of whom by default owns 1 share in the co-operative.[141] All members must live in PNG. PNG citizens that live overseas are not eligible to be members.

Initial meeting. The initial members must organize a meeting that is attended by at least seven people. Various issues will be resolved at this meeting, including:

1. Agreeing on the objectives and primary business activities of the co-operative;
2. Confirming the list of all persons who will be members of the co-operative; and
3. Electing initial officers and directors.

Application. After the initial meeting the organizers will submit an Application to the Registrar of Co-operatives. The Application must include a list of all prospective members and the intended directors. If all is acceptable then a Certificate of Incorporation will be issued.

Identification of directors. All directors are named in the Application. No government-issued ID must be presented with the Application. All directors must live in PNG. There are no provisions in the law regarding nominee directors.

TIN. All co-operatives must obtain a taxpayer identification number.

4.3.2 Co-operatives Register

Co-operatives are tracked in an electronic data spreadsheet administered by CSU. It is currently only accessible by banks to assist them when a co-operative seeks to open an account. The bank office must physically visit CSU to view the files.

CSU reports that information in the register is verified through “extracts.” It appears this means data from the spreadsheet is copied into a Word document and provided to appropriate parties.[142]

4.3.3 Maintenance of Co-operatives

The internal operations of a co-operative are largely governed by its Rules. Section 51 sets out several matters that must be addressed in the Rules, including how directors are selected, how profits are divided, and how new members can be admitted or expelled. Section 53 requires any amendments to the Rules to be filed with the Registrar within one month of their passage. However,

---

[141] There is a provision in the Co-Operative Societies Act that makes it theoretically possible for a person to own more than one share. It is unclear whether this even happens in practice. No person may hold more than 20% of the total shares without permission of the Registrar. Section 60, Co-operatives Societies Act.

[142] Reported in emails to IPA in October 2025.

the Registrar must approve an amendment before it becomes effective.[143] Similarly, if the members pass a special resolution, it must be reported to the Registrar for approval.[144]

The Act provides that all co-operatives must file an annual return. This return is to include a statement of assets and liabilities and a membership list.[145] All co-operatives must also undergo an annual audit of their accounts by either the Registrar or a person appointed by the Registrar.[146] The results of this audit are submitted to the Registrar and forwarded to all members of the co-operative.[147] However, the CSU reports that due to lack of resources there is no real compliance around annual returns.

There are penalties for noncompliance with any provision of the Act. Upon conviction both a co-operative and a director of a co-operative can be fined up to K200.00.[148]

4.3.4 Beneficial Ownership Information

There are no specific provisions in the Co-operative Societies Act regarding beneficial ownership. However, the manner in which these entities operate and the way in which a "member" is defined significantly lessen the risk that there are unnamed beneficial owners.

First, "member" is defined to mean "a person who is entered on the books of the society as a member of that society."[149] The Rules of a co-operative will set out the eligibility criteria for membership. Importantly, the Act does not allow for any sale or transfer of a share without the consent of the Board of the entity.[150] This ensures that prospective members are eligible under the Rules of the co-operative to be members.

The Act requires each co-operative to maintain various registers that are appropriate to its operations. This includes a "register of member showing, amongst other things, the holdings of shares by those persons."[151] The Registrar is empowered to inspect these registers and other relevant documents at all times.[152] The Registrar reports that "Beneficial ownership are (sic) entirely the members of a cooperative. No other persons outside of the cooperative Societies formed" can be members.[153]

---

[143] Section 53, Co-operative Societies Act.

[144] Section 82, Co-operative Societies Act.

[145] Section 88, Co-operative Societies Act.

[146] Sections 98-99, Co-operative Societies Act.

[147] Section 102, Co-operative Societies Act.

[148] Sections 151-152, Co-operative Societies Act.

[149] Section 2, Co-operative Societies Act.

[150] Section 61, Co-operative Societies Act.

[151] Section 91, Co-operative Societies Act.

[152] Section 12, Co-operative Societies Act.

[153] October 31, 2025 email from CSU to IPA.

4.3.5 Criminal Actions that may relate to ML/TF

CSU reports "[N]o serious crimes" except for a few management issues in which the Registrar intervened to resolve. Similarly, there were no ML/TF prosecutions found while compiling this Assessment. FASU reports no SMRs related to co-operatives.

5.0 Summary Table of Basic Information for Legal Persons

The following table summarizes key metrics for each legal person subject to this Assessment:

Feature or attribute	**Companies and Overseas Companies**	**Associations**	**Bus. Groups**	**ILGs**	**Co-ops**
		Registry information			
Is the entity registered in an electronic database?	Yes	Yes	Yes	Reportedly there is a database, but the specifics are unknown	Yes
Is the database accessible by LEAs?	Yes. All information is available online to LEAs, who may access free of charge	Yes. All information is available online to LEAs, who may access free of charge	Yes. All information is available online to LEAs, who may access free of charge	Reportedly	Not currently, but no prohibition
Is the database accessible by the public?	Yes, all information is online. Basic information is free, full details are accessible upon payment of a nominal fee.	Yes, information is online. Basic information is free, full details are accessible upon payment of a nominal fee.	Yes, information is online. Basic information is free, full details are accessible upon payment of a nominal fee.	No	Not currently, but no legal prohibition. Resources needed to publish
What controls are in place to identify incorporators ?	Filers must have a client account with the online register, which requires a Gov't issued photo ID. Email addresses of client accounts are verified	Filers must have a client account with the online register, which requires a Gov't issued photo ID. Email addresses of client accounts are verified. The formation process itself requires public notice of a proposed incorporation which names the incorporators, and 3rd parties may object. One ground for objection is that the incorporators are improper.	Filers must have a client account with the online register, which requires a Gov't issued photo ID. Email addresses of client accounts are verified. The formation process requires naming a "Dispute Resolution Authority" which is a local person(s) that effectively acts as a mediator / arbitrator for the Group. This named person will see the Application before it is accepted by IPA, serving as an outside check on the ID of the incorporators.	Birth certificates or other acceptable IDs required with the Application	All members and directors must be named on the Application. There are no photo ID or other checks in place.
How is information	IPA does not have the capacity to verify every filing.	IPA does not have the capacity to verify every filing. The Act	IPA does not have the capacity to verify every filing.	Identification documents help with	The Registrar does not appear to

Feature or attribute	Companies and Overseas Companies	Associations	Bus. Groups	ILGs	Co-ops
in the registry verified?	The Act empowers IPA to undertake inspections, but this only occurs when an outsider registers a complaint about an entity that is worthy of investigation.	empowers IPA to undertake inspections, but this only occurs when an outsider registers a complaint about an entity that is worthy of investigation.	The Act empowers IPA to undertake inspections, but this only occurs when an outsider registers a complaint about an entity that is worthy of investigation.	verification of officers. The incorporation process itself result in what is likely a good data set from the outset given all the reviews that take place. Ongoing verification steps are less clear.	engage is systematic verification procedures.
Formation information					
Does the entity have equity owners?	Yes	No	Yes	Yes	Yes
Are the equity owners named in the formation documents?	Yes, all shareholders must be named. [There are exceptions for listed companies]	N/A	No, though the objective qualifications for membership are listed.	Yes	Yes, all members are named and must be updated via annual returns
Are directors / managers named in the formation documents?	Directors are named	Committee members are named. "Shadow committee members" will also be named under the new Act	Yes, all directors are named	Yes	Yes, directors are named
Are there any residency requirements for directors/managers?	Yes, at least 1 director must reside in PNG	No	Not specifically, but members must be part of a family or social clan, limiting outsiders	Reportedly yes	Yes, ALL members and directors must live in PNG
Are bearer shares (or equivalent) allowed for this entity?	Bearer shares have never been recognized under the Companies Act. Proposed amendments to the Act would specifically prohibit	N/A	No. Only members of the social group may hold equity interests	N/A	N/A
Is the entity required to obtain a TIN	Yes	Yes	Yes	No	Yes

Feature or attribute	Companies and Overseas Companies	Associations	Bus. Groups	ILGs	Co-ops
as a separate legal entity?					
Are there any rules around nominee directors / managers?	No. But the Act recognizes what are termed "shadow directors" and imposes liability on them just as if they were formally named directors.	The new Act will require disclosure of "shadow committee members"	No	No	No
Are there any rules around nominee shareholders / equity owners?	No	N/A	No	No, but not as pertinent given the nature of the entity (clan members as owners)	No
How Legal Persons are Maintained Over their Life-cycle					
Is the entity required to keep information in the register updated on a regular basis?	Yes. Any changes to shareholders and directors must be reported generally within 20 days else a late filing fee is imposed.	Yes. Any changes to committee members (and most other info) must be reported, generally within 20 days else a late filing fee is imposed.	The new Act required committee member and address information to be kept current	No	Updates normally occur via the annual return, though change filings are allowed
Are regular compliance actions undertaken by the relevant Registrar to strike off noncompliant entities?	Yes: failure to file an annual return results in de-registration. The register software runs automatic compliance each month.	The new Act requires compliance. Associations that fail to re-register will be struck off.	The law allows for annual compliance but IPA has not enforced in an attempt to be user-friendly to these community entities	Compliance is possible for statutory reasons. However, striking off an entity that holds title to customary land for failing to file an annual is not a good economic policy	CSU does not have the resources for strike-offs for failure to file annual returns
Beneficial Owner information					
Is the entity required to keep and maintain BO information?	Yes	Yes	No	No	There are no specific provisions re: beneficial ownership. All members must be named

Feature or attribute	**Companies and Overseas Companies**	**Associations**	**Bus. Groups**	**ILGs**	**Co-ops**
Are there requirements to report BO information?	Upon request of the Registrar all companies must disclose BO information	The new Act requires disclosure of shadow committee members	No	No	Members must be reported annually
If yes, what are the timeframes within which BO information must be updated?	Information must be reported within a time set by the Registrar, which as a policy is no more than 30 days	Information must be reported within a time set by the Registrar, which as a policy would be no more than 30 days	N/A	N/A	Members are updated at least annually
How is BO information checked?	The Registrar may make further inquiries upon receipt of any BO information under general powers of inspection in the Act. The Registrar also shares BO information with LEAs, who may conduct their own investigations.	The Registrar may make further inquiries upon receipt of any BO information under general powers of inspection in the Act. In theory the Registrar can share BO information with LEAs, who may conduct their own investigations. These provisions have not been activated given re-registration has not concluded.	N/A	N/A	CSU does not have the resources to conduct independent check on members. However, as members receive payments there is a self-enforcement incentive to make sure only legitimate members receive payments

6.0 Other Information on ML/TF/PF Risks

Information was sought from law enforcement and other regulators regarding investigations and/or prosecutions of legal persons for ML/TF related offences, convictions for predicate offences, and suspicious matter reports that may have been lodged with FASU regarding legal persons. Unfortunately, in PNG there is little hard data available from official sources, and the information that is available is often presented in aggregate form without sufficient detail to support typology analysis. There is anecdotal information regarding a few legal persons and those are reported below.

6.1 Investigations and Prosecutions of Legal Persons

IPA requested information from the RPNGC on investigations, prosecutions and convictions involving legal persons for activities related to ML/TF/PF. Unfortunately, little official information is available.[154] This Assessment is therefore not able to provide hard data on the types of legal structures most abused for ML/TF purposes. This Assessment will provide what information it can from secondary sources, much of which is anecdotal. There is no information that suggests PNG legal persons are being used as sources or conduits for terrorist financing. Acknowledging this fact, the 2024 MER found "[t]here is no publicly available information suggesting legal persons in PNG are being misused for TF." [155]

6.2 Suspicious Matter Reports

FASU reports the following raw data on the number of Suspicious Matter Reports (SMRs)[156] generated in PNG for all persons (including individuals) and then for companies:

Type of Legal Person	**2022**	**2023**	**2024**	**2025 to June 30**
Total of all Suspicious Matter Reports (individuals and legal person)	3,742	2,873	4,147	1,073
SMRs for companies	302	454	458	200
No reported SMRs for other legal person types				

Although an SMR does not establish wrongdoing, the data indicates that companies are regularly identified as part of transactions or arrangements that reporting entities consider sufficiently unusual to warrant reporting. FASU notes that it is unable to easily identify or differentiate the types of legal persons because SMRs are reported with general comments describing the reasons for suspicion and do not necessarily capture such information as the types of legal persons. To make these differentiations would require FASU to manually examine each SMR.

FASU routinely refers SMRs to the RPNGC and prosecutors for further investigation, but due in large part to a lack of capacity there has been no prosecutorial follow-up.[157] This is consistent with reports of an overall lack of prosecutions for money laundering in PNG, including cases not involving a legal person.[158] The 2024 MER noted these issues[159] and concluded that "[T]he overall level of ML investigation, prosecution and conviction is too low to have a significant impact on PNG's ML threat landscape and to dissuade potential criminals from carrying out proceeds generating crimes and ML."[160]

---

[154] IPA submitted a detailed questionnaire to the RPNGC, who referred the matter to the National Fraud and Anti - Corruption Directorate (NFACD). The NFACD indicated it does not have the capacity / resources to provide detailed statistics.

[155] 2024 MER, paragraph 403.

[156] A Suspicious Matter Report is often called a "suspicious transaction report" in other jurisdictions.

[157] PNG bank agency probes 5000 money-laundering cases – but no prosecutions | Asia Pacific Report

[158] Will PNG be on the anti-money laundering grey list? - Part 1 - Devpolicy Blog from the Development Policy Centre

[159] 2024 MER, paragraphs 172-183. The MER noted only 2 ML cases had resulted in successful convictions. Neither directly involved a legal person but instead were perpetrated by individuals.

[160] 2024 MER, paragraph 189.

6.2.1 TF risk: reasoning from zero observed cases

No documented investigations, prosecutions, or STRs linking Papua New Guinea legal persons to terrorist financing were identified during the review period, a finding consistent with the 2024 MER[161] and more recent FASU reporting. While an absence of data favors a finding of a low-risk rating for potential TF, it is not absolutely conclusive. Gaps in data collection might, if filled, reveal risks that currently remain unseen. A brief technical Annex attached to the end of this Assessment presents a simple, quantitative statistical plausibility check that shows, even if detection rates are imperfect, the absence of detected TF transactions still favors the conclusion that actual TF activity has been minimal or nonexistent.

6.3 Predicate offenses

A "predicate offence" is defined as an underlying criminal act the proceeds from which are susceptible to being laundered or used for terrorist financing. In other words, it is a crime that generates cash proceeds which can later be laundered. This could include tax fraud/tax evasion, other forms of fraud, human trafficking, drug trafficking (especially if occurring across borders), smuggling, transactions with known tax havens, and organized-crime related extortion.

There is little public data on how many legal persons have been involved in predicate offenses. FASU reports the following statistics:

Type of Legal Person	2022	2023	2024	2025 to June 30
Companies	7	8	40	22
No reported predicate offence prosecutions for other legal person types				

However, FASU reports that these numbers relate to companies "mentioned in Intelligence products." This is not the same as convictions, and no such convictions have been reported. Similarly, FASU was able to provide a spreadsheet listing a number of PNG companies that may have been involved in predicate offenses. However, given the lack of prosecutions there is a lack of detail as to the final disposition of each matter.

The NFACD reports three identified matters involving predicate offences being closely linked to incorporated entities that occurred in 2022. Unfortunately, NFACD reports it does not have the capability to query a database for more details.[162] NFACD reports no further incidents since that year.

In 2023 there was a report of a major penalty of 140 million kina imposed by IRC on a major logging company for tax evasion. For some reason IRC declined to name the registered company that was found liable.[163]

[161] 2024 MER, Technical Compliance Annex, paragraph 11

[162] Email from NFACD to IPA dated September 5. NFACD did state that is was in the process of developing a record system that will enable this functionality.

[163] Major Logging Operator Charged K140M For Tax Evasion | myIRC.; Logger fined K140m by IRC - Post Courier ; Will PNG be on the anti-money laundering grey list? - Part 1 - Devpolicy Blog from the Development Policy Centre

The lack of prosecutions and convictions for predicate offences related to money laundering is a significant problem in PNG. This was noted in the 2024 MER, which stated: "The overall level of ML investigation, prosecution and conviction is too low to have a significant impact on PNG's ML threat landscape and to dissuade potential criminals from carrying out proceeds generating crimes and ML."[164] This fact is reflected primarily in the confidence levels assigned to risk ratings. An absence of evidence of ML activity is not evidence of absence: low prosecutorial activity does not prove that ML is not occurring. This does mean that ratings that are assigned will not have a high level of confidence.

6.4 Overseas companies from grey-listed countries operating in PNG

FATF Recommendation 24 underscores the critical importance of understanding the ownership and control structures of legal persons to guard against misuse for money laundering and terrorist financing. In Papua New Guinea, domestic enforcement data on investigations into corporate actors is scarce, making it difficult to gauge the effectiveness of beneficial-ownership transparency measures. To help bridge this gap, this Section 6.0 examines overseas companies registered to do business in PNG that are incorporated in FATF-designated "grey-listed" jurisdictions.[165]

As of August 2025, there were only 7 companies active in PNG that are incorporated in grey-listed jurisdictions: six from the British Virgin Islands and one from Nigeria.[166]

Year of Initial Registration	Country	Business Activities
2007	Virgin Islands, British	OIL_GAS, C - MINING AND QUARRYING
2008	Virgin Islands, British	K - REAL ESTATE, RENTING AND BUSINESS SERVICE ACTIVITIES, OIL_GAS
2011	Virgin Islands, British	OIL_GAS, C - MINING AND QUARRYING
2014	Virgin Islands, British	MINING, C - MINING AND QUARRYING
2016	Virgin Islands, British	OIL_GAS, K - REAL ESTATE, RENTING AND BUSINESS SERVICE ACTIVITIES
2018	Virgin Islands, British	C - MINING AND QUARRYING, OIL_GAS
2025	Nigeria	H - HOTELS AND RESTAURANTS, O - OTHER COMMUNITY, SOCIAL AND PERSONAL SERVICE ACTIVITIES

[*Note: names and registration numbers omitted so as not to identify a particular company.]

The number is relatively small: only seven out of 358 PNG-registered overseas companies are from grey-listed countries. However, each theoretically represents a higher risk for illicit finance given that their home jurisdictions may lack sufficient controls. This is especially true given their

[164] 2024 MER, paragraph 189.

[165] FATF classifies "grey-listed" jurisdictions as those that have committed to address strategic deficiencies in their anti-money-laundering and counter-terrorist-financing regimes but remain under increased monitoring until reforms are fully implemented. These countries, while engaged with the FATF process, continue to pose elevated risks due to lingering gaps in legal persons' transparency and enforcement. Entities connected to grey-listed jurisdictions therefore carry a higher likelihood of opaque ownership chains, nominee arrangements and cross-border flows that can facilitate predicate crimes.

[166] Due diligence for this Assessment revealed that the overseas entity from Nigeria is actually "inactive" in its home jurisdiction, which is a significant red flag for PNG. IPA has submitted a formal request to this entity both for beneficial ownership information and to confirm its status in its home jurisdiction. If it is no longer active in its home jurisdiction it will be de-registered in PNG.

primary business activities are in industries that are known to have the potential for ML abuse. These entities should be targeted for enhanced due diligence.

6.5 PNG Companies with shareholders from grey-listed countries

As of November 1, 2025 there were 156 PNG companies that have shareholders from grey-listed countries.[167] The existence of a shareholder from a grey-listed country does not create a presumption of guilt of any ML/TF crime, but it does warrant heightened scrutiny.

More problematic, there are two local PNG companies that have shareholders that are corporate entities registered in grey-listed countries. While the number of companies in this situation is exceeding small compared to the overall number of active local companies, this arrangement raises serious concerns about how an opaque corporate structure may be hiding beneficial owners. In November 2025 IPA submitted a request to each of these two companies regarding possible beneficial ownership arrangements.

6.6 Public Perception of ML/TF Risks from Legal Persons

This Assessment acknowledges the general public perception that there are serious corruption issues in PNG, and international bodies that rate corruption confirm this perception.[168] The difficulty for this Assessment is that while perception of corruption is high, this is largely based on newspaper articles and other similar sources, not on actual convictions: there have been very few prosecutions of legal persons for crimes with possible links to ML/TF.

The following is an example of a widely known case which tangentially involved a legal person to facilitate the improper flows of funds that add to the public's perception that there are serious corruption issues in PNG.[169]

> Case 5: A PNG lawyer was found guilty of misappropriating over 160 million from the government. The funds were partially channeled through a real estate company owned by the lawyer.

IPA delivered questionnaires to civil society regarding public perception of risk. IPA received four responses, three from prominent law firms, and one from a professor of business and public policy at the University of Papua New Guinea who also happens to be a certified public accountant. One law firm that is heavily engaged in corporate formation for both local and overseas companies offered the following information on how they currently operate in PNG. Due to general corruption concerns, and to comply with the Anti-Money Laundering and Counter Terrorist Financing Act 2015, this law firm undertakes extensive due diligence when vetting new clients:

> From experience, the IPA online registry system (**ORS**) is the most reliable local data source compared to other public registries, proprietary databases and governmental records.

---

[167] As of November 1 2025.

[168] See Transparency International, which ranks PNG 127/180 [2024 Corruption Perceptions Index - Explore Papua… - Transparency.org](). See also [Common Country Analysis 2024 Update | United Nations in Papua New Guinea]()

[169] [PNG lawyer Paraka found guilty of misappropriating K162m | Asia Pacific Report]()

> The information from these registries, in particular the IPA ORS, is used to confirm the status of registered entities and their respective entity details. The information we obtain from the ORS is sufficient for our business.
>
> As part of our internal AML and CTF compliance for onboarding new clients that are companies, it is mandatory for them (the new client entity) to provide documentation verifying the ownership and control structure of the company before we proceed to open our internal file and commence work for them. Examples of such include a certified shareholder register, certified ownership structure chart, or company search report from the place of incorporation - we need to be able to trace the ownership of the client to identify and verify the Ultimate Beneficial Owners being any individuals with a 25% or more controlling interest.

This response suggests that at least some PNG DNFBPs are implementing BO verification procedures that meet minimum statutory requirements, which is encouraging, but it does not follow that all law and accounting firms in PNG follow the same practices. Greater outreach on the risks of ML/TF should occur.

The professor noted the following:[170]

> In my professional practice and research in Papua New Guinea, I have noted occurrences where the legal and regulatory framework governing incorporated entities has resulted in vulnerabilities associated with money laundering and potential risks of terrorist financing. For instance, according to the Companies Act 1997, companies that are registered with the Investment Promotion Authority must keep records of shareholder and director information; however, in practice, difficulties emerge in confirming beneficial ownership when shares are held via nominees or informal arrangements, especially in privately held companies.
>
> Additionally, there is a rise in intricate cross-border trade arrangements that involve layered contracts and intermediary entities, which can be manipulated to obscure the source of funds. Furthermore, the rise of shell or shelf companies, established solely for transactional purposes without any genuine business activities, has been noted. These changing practices, coupled with deficiencies in regulatory enforcement capabilities in remote areas, heighten the susceptibility of incorporated entities to exploitation for money laundering or terrorist financing.

This professor also has personal experience with beneficial ownership arrangements:

> I have observed cases where the true beneficial owner of a PNG-incorporated entity differed from the individuals listed on the public register. In one instance involving a private import-export company, the registered shareholders were nominees, while the actual control and financial benefit rested with a single individual who was not formally recorded.

7.0 Risks posed by neighboring jurisdictions

While this Assessment focuses on legal persons rather than national security threats generally, understanding the terrorist-financing environment in neighboring jurisdictions provides useful context when assessing whether PNG legal persons are likely to be exposed to, or misused for, terrorist-financing activity. Papua New Guinea’s proximity to Southeast Asia creates a theoretical

[170] Quotes extracted from the written response made by this Professor to an IPA questionnaire.

exposure to transnational terrorist financing risks, particularly from Indonesia and the Philippines. Two groups—Jemaah Islamiyah (JI) and the Abu Sayyaf Group (ASG)—have long dominated the regional threat situation. JI, an al-Qa'ida–linked network based in Indonesia, was responsible for multiple high-profile attacks in the early 2000s, while ASG operated as a violent insurgent and kidnapping-for-ransom group in the southern Philippines.

However, recent developments suggest a significant decline in both groups' operational capacity. In June 2024, senior JI leaders formally announced the dissolution of the organization, citing strategic shifts and internal fragmentation.[171] Similarly, the Philippines has made substantial progress in demobilizing ASG and other armed factions: over 40,000 combatants from the Moro Islamic Liberation Front and affiliated groups have surrendered or been decommissioned since 2018.[172] While the threat from these groups may persist in the form of splinter cells and ideological remnants, their capacity to project cross-border terrorist financing into PNG appears greatly diminished.

While Jemaah Islamiyah (JI) and the Abu Sayyaf Group (ASG) have historically dominated Southeast Asia's terrorist-financing narrative, recent assessments indicate there are other actors that also pose residual risks to neighboring jurisdictions like PNG.

1. Islamic State–Linked Networks

ISIS-affiliated cells in Indonesia, Malaysia and the southern Philippines continue to operate in fragmented form. Though their capacity for large-scale violence has declined since 2017, they remain active in online radicalization, recruitment and small-scale fundraising—often through informal value-transfer systems and charitable fronts.[173]

2. Bangsamoro Islamic Freedom Fighters (BIFF)

A splinter group from the Moro Islamic Liberation Front, BIFF has resisted demobilization and maintains a presence in Mindanao. It has been linked to extortion, kidnapping-for-ransom and smuggling—activities that generate funds potentially laundered through regional trade routes.[174]

3. KFR and Maritime Piracy Networks

Kidnapping-for-ransom (KFR) syndicates operating in the Sulu and Celebes Seas have historically collaborated with ASG and other armed groups. However, regional piracy and kidnapping advisories make clear that nearly all KFR incidents in the Sulu–Celebes corridor have

---

[171] For an analysis how JI persists at least ideologically if not operationally, see How Jemaah Islamiyah has Morphed Since Its Disbandment - RSIS.

[172] For a recent update on the status of ASG, see Basilan declared free from Abu Sayyaf Group and Basilan province officially free from Abu Sayyaf Group —Galvez, Lagdameo | GMA News Online.

[173] For general information about ISIS-linked threat agents, see IN FOCUS: Jemaah Islamiyah's vow to disband not the end of terror attack threats, radicalisation in Southeast Asia - CNA ; Online radicalisation in Malaysia: Regional risks and responses.

[174] There has been a series of well-publicized surrenders by former members of BIFF in 2025, underscoring how the group seems to be losing capacity. See 23 more local terrorists surrender in Maguindanao del Sur | Philstar.com; 11 alleged BIFF members surrender in Maguindanao del Sur; Six BIFF Militants Lay Down Arms in BARMM, Embrace Peace - Manila Herald

involved Indonesian, Malaysian or Filipino vessels and crew—there are no publicly reported cases of Papua New Guinea–flagged ships or PNG nationals being abducted.[175]

While kidnapping-for-ransom syndicates in the Sulu–Celebes Sea routinely rely on cash couriers and informal value-transfer systems that could—at least in theory—move funds through neighboring maritime and financial networks, there is no publicly available evidence that any ransom payments have ever entered Papua New Guinea's ports, bank accounts or shipping corridors. Consequently, the risk in PNG remains a hypothetical exposure, not on any confirmed transaction flows.

Overall Implications for PNG

No publicly documented case ties PNG legal persons—whether incorporated companies, associations or land groups—to any designated terrorist organization. While porous maritime borders and limited financial-intelligence capabilities suggest a hypothetical vulnerability, available information as of mid- 2025 has not identified any direct or indirect terrorist-financing incidents involving PNG legal persons, and PNG has experienced no direct or indirect terrorist-financing incidents.[176] This conclusion is consistent with the recent 2024 MER which states:

> The NRA identifies PNG's TF risk as low. This is reasonable given the AT did not identify open-source information, covering the period under review, that suggests international terrorist groups (including UN listed persons or entities) are operating in PNG or raising, moving and using funds in connection to PNG. While PNG shares an 824 km porous border with the Papua province of Indonesia, this region is considered medium risk by Indonesia with key Indonesian domestic terrorist organisations such as Darul Islam (DI), Jemaah Islamiyah (JI), and Jamaah Ansharut Daulah not active in this region and Papua New Guinea not identified as a high-risk source, transit or destination jurisdictions for funding of these organisations. Notwithstanding, NRA includes a more limited focus on TF including that there is no detailed discussion of TF risk associated with neighbouring higher-risk TF jurisdictions or specific TF vulnerabilities in PNG. Indonesia recently designated the West Papua National Army-Free Papua Organisation (OPM) as a terrorist organisation, but it is not designated by PNG or other jurisdiction in the region.[177]

8.0 Risk Rating for Each Legal Person for money laundering

This section takes into consideration all information provided in the prior sections of this Assessment to arrive at a separate ML and TF risk rating for each legal person. The ratings are

---

[175] A 14 February 2025 ReCAAP ISC advisory notes four consecutive years with zero abductions of crew, without any reference to PNG vessels or citizens. Similarly, the U.S. Maritime Administration's 2020 MSCI Advisory recorded a single ASG-linked kidnapping in 2020, again without any PNG–related victims. Regional Cooperation Agreement to Combat Piracy and Armed Robbery against ships in Asia

[176] Searches across open-source intelligence platforms, including the ICIJ Offshore Leaks Database, UN Security Council Consolidated Sanctions List, The Global Terrorism Database (GTD) OpenOwnership Register, and FATF/APG typology reports, yielded no records of shared personnel, financial flows, or ideological alignment involving PNG entities. The most recent comprehensive FATF Typology Report from 2023, had no mention of PNG. 2023 APG Typologies Report.pdf The most recently published US State Department report on country terrorism does not mention PNG. Country Reports on Terrorism 2023 - United States Department of State.

[177] 2024 MER, Technical Compliance Annex, paragraph 11.

based upon a 1-5 scale, with 1 = low, 2 = medium/low, 3 = medium, 4 = medium high and 5 = high. A table summarizing the findings is then presented in Section 10.0.

Where evidence is limited, confidence in the rating is addressed separately in Section 9.0. A lack of evidence of ML activity has not automatically been treated as evidence of low risk.

8.1 Risk rating local PNG companies

There are very few prosecutions and even fewer convictions for ML/TF and predicate offences related to companies. There are also few details around any SMRs that may be linked to local companies. However, there are numerous media and other anecdotal reports of companies involved in improper activities that could lead to ill-gotten cash being generated, which in turn can lead to money-laundering.

There are mitigation factors to any TF/ML risks. First, the PNG Companies Act is a piece of modern legislation that addresses most of the basic requirements for good governance, including mandatory reporting of shareholders, directors, relevant addresses to a central register, and maintenance of an internal share register and financial records. IPA now deploys a modern online register that records this information and makes it available to the public, albeit for a small fee to help offset costs.

The PNG Companies Act contains partially FATF-compliant provisions regarding beneficial ownership: a company is required to maintain BO information and make it available to the Registrar upon request. IPA instituted a new policy in February 2025 under which FASU and other LEAs may request IPA to seek BO information from companies. IPA has begun to implement this policy by sending a small number of BO enforcement letters to targeted companies as a pilot program. IPA should vigorously implement this policy to increase the effectiveness of its regulatory oversight of companies.

There are other deficiencies with the PNG Companies Act. In response, in May 2025 IPA undertook to publish a preliminary draft of proposed amendments to the Companies Act for the purpose of obtaining feedback. IPA also conducted a public consultation on the proposed amendments and received robust comments from both the public and private sector.[178] The Bill has entered the formal legislative process and in late October 2025 received approval from the Office of the State Solicitor. The amendments, if passed, would:

1. Mandate BO information be reported to a central register (which will be linked with the existing IPA business entity register);
2. Address nominee director and shareholders, including mandating their disclosure;
3. Specifically ban bearer shares and share warrants;
4. Make technical updates to the way in which companies maintain their records and how voting rights of shareholders are maintained in these company records.

[178] A Consultation Report discussing all comments and how IPA changed the Bill can be found on the IPA business entity website together with the text of the Bill that was delivered to the State Solicitor.

8.2 Risk rating overseas companies operating in PNG

Overseas companies are largely assessed in the same manner and with the same result as with local companies. Both operate under the same legislation and both utilize the same online register. There are relatively few overseas companies—358— that are registered and in good standing.

Unlike local companies, overseas companies are disproportionately represented in extractive and resource-based industries that involve significant cross-border financial flows. While the number of overseas companies operating in PNG is relatively small, some operate in sectors associated with higher ML vulnerabilities, including transfer-pricing, opaque ownership structures and movement of funds to offshore jurisdictions.

There are very few overseas companies from grey-listed countries operating in PNG, which lessens the risk that companies from rogue jurisdictions have extensive holdings in PNG. However, those few companies are engaged in business activities in known high-risk industries. IPA should exercise a higher degree of due diligence over these particular overseas companies such as by making inquiries into their possible beneficial ownership arrangements. FASU should research whether there are any SMRs related to these entities.

8.3 Risk rating for PNG Associations

Associations by their nature do not pay dividends or otherwise make distributions to their members. Most associations are small-scale operations that are involved in charitable activities in their communities. Therefore, a significant majority of associations pose a low risk of ML/TF concerns by their very nature.

There are numerous newspaper accounts and other anecdotal evidence to suggest that committee members of so-called "resource associations" do find ways to divert funds for improper purposes that would otherwise be used for the benefit of the association. However, the new Associations Act, imposes mandatory financial reporting requirements on the larger associations, which should help address this issue. Reporting will commence as associations begin filing their first annual returns under the new Act.

The new Act requires all associations to maintain beneficial ownership information for each membership and to disclose this information to the Registrar upon request. The new Act also requires "shadow" committee members to be reported to the Registrar. Both of these measures will assist in identifying the persons that are truly in control of any given association.

As noted, there were significant delays in fully implementing the new Act. However, now that the Act has commenced, several important gaps in the legal framework have been addressed.

Generally, nonprofit entities in PNG do not appear to pose as much of a risk for FATF-concerned money laundering as for-profit entities. Still, local corruption surely exists, and there have been long-standing suspicions that association funds are at times diverted for personal gain. However, misappropriating funds for personal use does not, in itself, constitute evidence of systemic abuse of corporate structures for ML/TF activities. This is consistent with the findings of the recent NPO sector reviews undertaken in PNG.

8.4 Risk rating for overseas Associations

Prior to the 2023 Association Act there were no provisions in PNG law that recognized overseas nonprofits. For this reason, IPA took to the practical approach of allowing overseas NPOs to register as overseas companies. The 2023 Act requires these overseas NPOs to re-register as overseas associations.

Unfortunately, prior to introduction of the new register system in 2022, there was no way to identify which overseas companies were in fact overseas NPOs. Once re-registration is complete and these entities can be identified, then a proper assessment can be made of the potential risk they pose for money laundering. In the interim, there is insufficient data upon which to assign any risk.

8.5 Risk rating for Business Groups

Business Groups are a for-profit entity type unique to PNG. Their members are joined either by clan or other strong social custom. As such, the persons that can be members of a business group are limited and the entity is not conducive to including outsiders in any capacity.

Business Groups benefit from being maintained in the same online register as companies. Information is provided to the public on the core biographical information about each Group. This information is to be kept current, though it is likely that some business groups fail to comply with these obligations not out of malice but simple neglect.

There are deficiencies in the governing legislation, notably there are no provisions that discuss nominees. However, the customary and family-based nature of business groups can make it difficult to apply traditional nominee concepts used in company law, as committee members often act in a representative capacity for a broader customary or family group. There are also no provisions regarding beneficial ownership relationships. A 2022 Amendment to the Business Groups Act requires committee members to be named and their information kept current, a significant improvement for overall corporate governance. Neither the MER nor this Assessment identified significant ML typologies involving Business Group

8.6 Risk rating for Incorporated Land Groups

Assessing risk for ILGs is made more difficult given the untimely participation of the Registrar for ILGs: The inability to obtain basic sector information in a timely manner from the responsible regulator raises concerns regarding the overall level of regulatory oversight and monitoring of ILGs. Effective ML/TF supervision depends in part upon regulators maintaining sufficient knowledge of the sectors they oversee. The absence of readily available information regarding the size and operation of the ILG sector therefore constitutes both a limitation on this Assessment and a factor weighing in favour of elevated risk.

Registration of an ILG is linked with registration of land. The great majority of land in PNG is customary land. The idea is that a parcel of customary land is identified as being historically held by a particular group, that group can form a corporate entity—the ILG—to hold title and deal with the land. This is often the preferred corporate vehicle for person living on customary land that seek to act collectively with regard to mining, oil/gas and timbering activities on their land.

In theory the ILG should allow for royalties from operations on the identified land to flow to the persons that hold a collective claim over the land. Unfortunately, the anecdotal history of PNG reveals that many alleged abuses of the ILG form has occurred whereby foreign interests have been able to exploit the entity in various ways, including by obtaining extraction permits that the foreign interest might not have been able to obtain on its own, or using manipulative means to reduce royalty payments to rightful recipients. Still, it is difficult to assess how prevalent is the problem given the lack of hard data concerning actual convictions.

Interestingly, the 2024 MER did not focus in ILGs. This Assessment takes a different view: the risk of money-laundering via the ILG vehicle is significant. It is true that as a percentage of total corporate economic activity in PNG that companies far surpass ILGs, still, for those ILGs associated with extractive industries, significant funds are potentially subject to misappropriation, which can lead to money laundering.

8.7 Risk rating for Co-operative Societies

This Assessment found no formal information that co-operatives are engaged in ML. It is entirely possible that persons in control positions for co-operatives may be misusing their funds, but this does not necessarily trigger ML concerns.

A Co-operative Society is a for-profit entity, but they do not operate like a regular for-profit company. Instead, their purpose is "to promote common economic and social interest in accordance with co-operative principles." They are often formed for work in the agriculture sector where a number of small growers of a crop (often coffee in PNG) come together to collectively sell their harvest so as to have more market power. The growers then share in the profits based upon the amount of product they supplied. This profit-sharing makes misappropriation of funds much less likely that with ILGs given that each cooperative member is actively involved in the production of the crop and has personal knowledge of operations of the cooperative. It is always possible that managers of a co-operative can concoct schemes to misappropriate funds, but this is likely be at a lower rate than that for ILGs where the members would not have the same level of awareness of complicated royalty systems.

The 2024 MER did not focus on cooperatives. This seems justified given the nature of the co-operative corporate structure and the lack of hard data connecting them to ML/TF. The risk rating relies on anecdotal information and a general analysis of their corporate structure. Neither the 2024 MER nor this Assessment identified significant ML typologies involving co-operatives

9.0 Risk Rating for terrorist financing

The risk assessment of financing is strongly informed by the findings of the 2024 MER, which stated:

> There have been no investigations, prosecutions or convictions for TF in PNG, which is consistent with PNG's low TF risk profile. PNG's TF risk assessment and the AT did not identify open-source information suggesting international terrorist groups or groups with links to international terrorist networks are operating in PNG or raising, moving and using funds in connection to PNG.[179]

[179] 2024 MER, Key Findings, Section 10.9, paragraph A, page 76.

This finding is consistent with information from FASU generated for this Assessment. It is also consistent with the information presented in Section 7.0 regarding potential threats from regional terrorist groups: no known linkages between PNG legal persons and such groups were identified.

Against this background, this Assessment rates most legal persons as having a low level of risk for terrorist financing issues except for ILGs and overseas companies. A body of evidence strongly suggests that ILGs in the extractive sector have been exploited by offshore interests and are associated with significant cross-border financial flows. While this does not serve as proof of terrorist financing, it does justify a modest increase in the assessed TF risk relative to other PNG legal persons.

10.0 Table showing all risk ratings

The ratings are based upon a 1-5 scale, with 1 = low, 2 = medium/low, 3 = medium, 4 = medium high and 5 = high. Because Papua New Guinea lacks systematic, hard datasets on investigations, prosecutions and convictions for legal persons, and similarly lacks detailed information on SMRs for legal persons, the ratings are judgements rather than the output of a mathematical algorithm. Each rating considers the best available documentary sources, regulator records, news reports, and other available evidence. Every score comes with a short, written justification, which informs Recommendations for future actions in the concluding section of this Assessment.

This Table also presents a rating for the confidence level of the risk rating. As has been noted throughout the Assessment, there is often a lack of hard data upon which to base strong conclusions. The confidence rating is an indicator of how accurate the risk rating may be based upon availability and quality of information. The confidence rating ranges are Low, Medium and High.

Legal Person	Risk Factor	Risk Rating	Confidence Level of Risk Rating	Key Factors
Local PNG Companies	Money Laundering	3	Medium	While there is no specific information suggesting widespread ML activities with companies, PNG's overall lack of a strong ML enforcement framework means that ML activities could simply be undetected. The number of SMRs for companies reported by FASU contributes to this concern. Risk could be reduced if the proposed amendments to the Companies Act are adopted and a BO register implemented. In the interim, IPA should ramp up enforcement of its current interim BO investigation policy. The confidence level of this rating would increase if more hard data was available such as actual prosecutions and more granular details around the reported SMRs.
	Terrorist Financing	1	Medium	There are no known links between PNG legal persons and terrorist organisations. The confidence in this low-risk rating would be higher if there were more detailed information around reported SMRs so as to be able to assess flows of funds.

Legal Person	Risk Factor	Risk Rating	Confidence Level of Risk Rating	Key Factors
Overseas Companies	Money Laundering	3	Medium	There are anecdotal reports alleging corrupt conduct by some overseas companies, primarily in the extractive industries. The timber sector may present heightened risk as published reports implicate Malaysian firms and a UNODC analysis found significant discrepancies between reported PNG exports to China and China's import records, a recognised trade-based money-laundering indicator. The 2020 Sectoral Risk Assessment of the timber industry in PNG supports this view. While the universe of overseas firms in extractives is relatively small, transaction values are large. Overseas companies operating outside extractives are plausibly lower risk. This rating reflects sectoral indicators and allegations, not proven systematic laundering across all overseas companies.
	Terrorist Financing	2	Medium	There is no evidence that overseas companies operating in PNG use PNG-generated funds for TF purposes. However, PNG does not have comprehensive visibility into activities of a company in its home jurisdiction, and the amount of funds that are potentially generated by overseas companies from the extractive industries do pose what may be best termed a theoretical risk.
Local Associations	Money Laundering	2	Medium	Most associations are small-scale community-based organisations. Conversely, there are anecdotal reports of committee members misappropriating funds from associations. While this is not direct evidence of ML, it does indicate that unaccounted for funds may be derived from association activities. Until the re-registration process is complete and financial reports are filed for larger associations, it is difficult to assess the true ML risks, which is why there is only a medium and not high level of confidence in this rating. Once the re-registration period is completed and the new transparency and financial reporting rules are in place, this rating should be re-assessed.
	Terrorist Financing	1	High	There are no known links between PNG legal persons and terrorist organisations. Local Associations are primarily involved in community-based charitable activities. It is possible that the largest associations might individually present a lower degree of confidence on a one-off basis.
Overseas Associations	Money Laundering	??	Not rated	There is insufficient data to rate overseas associations as the re-registration process in the new Act has only just commenced, and it will not be possible to identify them until the re-registration concludes. A preliminary rating would find overseas associations to present a low risk for TF and possibly a low risk for ML as well, but these
	Terrorist Financing	??	Not rated	

Legal Person	Risk Factor	Risk Rating	Confidence Level of Risk Rating	Key Factors
				ratings would have such a low confidence value that it is not suitable to include them in this Table at this time.
Business Groups	Money Laundering	1	Medium	Neither the MER nor this Assessment identified significant ML typologies involving Business Groups. It is possible PNG's overall lack of a strong ML enforcement framework means that ML activities could simply be undetected. This data gap is partially offset by the nature of the entity. Business groups are generally family- or clan-based organizations whose activities occur within relatively close-knit social structures and with limited international exposure. While such structures are not immune from misuse, they may provide a degree of informal oversight and accountability that reduces the likelihood of sophisticated ML activity going undetected. Further, while the overall lack of ML enforcement data in PNG creates some uncertainty, the available information supports a low-risk rating.
	Terrorist Financing	1	High	It is widely reported that there are no known links between PNG legal persons and terrorist organisations. Further, the fundamental nature of a business group being made up of local family or clan-based members weighs against its possible misuse for TF.
Incorporated Land Groups	Money Laundering	4	1	Structurally, ILGs present multiple vulnerabilities: no beneficial ownership transparency, no publicly accessible registry or online information, and widespread involvement in resource extraction industries. The 2020 Sectoral Risk Analysis of the timber industry catalogued numerous ML/TF risks. While that analysis did not focus on legal person type, ILGs are often involved in extractive industries, including logging. In addition, there are numerous anecdotal reports of alleged financial misuse of ILGs from secondary sources. This combination of factors provides a strong evidentiary basis for assigning ILGs an elevated risk rating, with a medium degree of confidence in that rating. The risk rating could be reduced with changes to the legal framework, accessibility to ILG records, and more robust engagement from the ILG office of the registrar.
	Terrorist Financing	2 for extractive industry ILGs: 1 for remaining ILGs	Medium	Normally it would be anticipated that ILGs, as locally-based entities, have little to do with terrorist financing. Further, there is no evidence linking PNG entities to terrorist financing. This point was recognized in the recent Forest Sector Risk Assessment, which stated: "In line with the findings of the NRA, TF does not appear to present a major risk. However, while NRA assessed the TF risk as low, this SRA has assigned it a medium-low for

Legal Person	Risk Factor	Risk Rating	Confidence Level of Risk Rating	Key Factors
				forestry sector."[180] Therefore, ILGs which are connected to extractive industry activities are rated 2/5 for TF risk. This elevated rating is supported by their structural opacity; and potentially large cross-border extractives flows which create a plausible diversion path. This is a speculative but realistic risk, warranting further investigation once ILG oversight mechanisms are established. The rating could be higher but for there being no current intelligence or prosecutorial indicators linking ILGs to terrorist financing. Other ILGs that are truly local, clan-based entities present a low TF risk.
Co-operative Societies	Money Laundering	1	Medium	Neither the past MERs nor this Assessment identified significant ML typologies involving co-operatives. While PNG's overall lack of ML enforcement data creates some uncertainty, co-operatives are membership-based entities whose members typically have a direct economic interest in the activities of the entity. This structure may provide a degree of informal oversight and accountability, and there will be strong internal social controls over watching how funds are used. While the overall lack of ML enforcement data in PNG creates some uncertainty, the available information supports a Low-risk rating.
	Terrorist Financing	1	High	It is widely reported that there are no known links between PNG legal persons and terrorist organisations. Further, the fundamental nature of a co-operative being made up of local persons engaged in a single business sector and therefore with common interest, it is an unlikely entity to be used for TF.

Note for Table

Both the risk rating and confidence level finding for all entities for TF the 2024 MER conclusion that there are no links between PNG legal persons and terrorist groups.[181]

[180] Forestry Sector Risk Analysis page 25, Section 7.
[181] See 2024 MER, Key Findings, Section 10.9, paragraph A, page 76, and Technical Compliance Annex, paragraph 11.

11.0 Risk Mitigation Measures and Recommendations

This Section offers Recommendations for future actions to mitigate ML/TF risks identified in this Assessment. Some recommendations are directed towards individual entities, while others are aimed at improving the overall governance framework for legal persons.

11.1 Legal Persons administered by Investment Promotion Authority

The IPA is well positioned to continue implementing reforms to assist in ML/TF compliance efforts. However, this work relies on having adequate staff and budget to pursue appropriate investigatory and public outreach measures.[182]

11.1.1 Companies

The following are key actions for companies:

1. PNG should enact the proposed amendments to the Companies Act that address beneficial ownership, nominee directors and shareholders, bearer shares, and other technical matters.

2. Subject to the Companies Act amendment providing statutory authority, IPA should implement and host the national BO register. The register should be scalable so that it can accommodate extension to other entity types (including trusts) when future legislation is passed.

3. In the interim, FASU and the RPNGC should take advantage of IPA's new policy on BO enforcement. FASU and RPNGC may submit requests to IPA to obtain BO information on any company or overseas company subject to their investigations.

4. IPA should also proactively conduct risk-based BO spot-checks on higher-risk companies that are identified through queries of the IPA business entities database. This could include local companies with shareholders from grey-listed jurisdictions cross-referenced with companies engaged in the resource extraction industry. Anomalies should then be reported to appropriate authorities for follow-up actions. IPA has initiated a program to request information from targeted companies and this work should continue to increase IPA's effectiveness in administering the Companies Act.

11.1.2 Overseas Companies

1. The recommendations for overseas companies largely mirror those for companies, with the additional recommendation that IPA increase scrutiny of overseas companies engaged in resource extraction. Given the reporting on difficulties in the timber industry this could include seeking BO information from these companies and even physical inspections of business sites to make certain the overseas companies are in compliance with the terms of their Foreign Investment Certification.

2. There are a small number of companies from grey-listed jurisdictions operating in PNG. IPA should exercise a higher degree of due diligence over these particular overseas

[182] Budget resource constraints are a significant issue for front-line agencies in PNG, with many legitimate interests competing for the same resources.

companies such as by making inquiries into their possible beneficial ownership arrangements.

3. FASU should research whether overseas companies from grey-listed jurisdictions are named in any SMRs. Depending upon the findings, appropriate follow-up inquiries should be instigated.

11.1.3 Associations

The new Act commenced July 1, 2026. This has enabled several significant reforms:

1. All associations must re-register. This process ensures accurate information is provided to the register, including information on shadow committee members.
2. Associations that fail to re-register will be struck off at the conclusion of the 1-year transition period. Proper annual return compliance will thereafter be enforced in the future via an automated process within the register.
3. The new Act has financial reporting obligations for larger associations which will help track larger donors.
4. The new Act also formally recognizes overseas associations. During the re-registration period all overseas non-profits that had been forced to register as overseas for-profit companies will now be able to properly register as overseas associations. This is not only good governance but will also assist in tracking overseas NPOs for AML purposes.
5. IPA has provided public outreach programmes throughout the country educating associations on ML/TF risks and other good governance matters. IPA has also posted educational materials to its website listing practical measure associations can take to protect themselves. IPA needs to follow-up with policies and procedures to monitor higher-risk associations. These procedures will be able to be more targeted once the re-registration exercise is concluded.

11.1.4 Business Groups

1. Business groups by their nature pose a lesser risk for ML/TF than companies and associations. Still, PNG should consult on possibility amending the Business Groups Act to include text addressing beneficial owners and nominee directors. These consultations would necessarily address the unique ownership structure of business groups. IPA should lead a consultation process that ensures compliance with international standards but also acknowledges the unique qualities of this entity form so as to not overly burden business groups.
2. IPA needs to commence annual return compliance enforcement for business groups.
3. IPA should engage in a similar outreach programme for business groups as it has for associations.

11.2 Incorporated Land Groups

First and most critically, Government should require the Department of Lands and Physical Planning and the ILG Registrar to cooperate fully with AML/CFT investigations and provide timely ILG data and operational support.

To address the higher risk currently attributable to ILGs, targeted reforms should include:

1. The ILG Registrar should establish and maintain an online, publicly accessible ILG register containing at minimum: ILG name; registration number; registration date; principal officers and contact details; registered address; and identifiers for any other legal representatives or trustees. Public access to the register should balance the need for transparency of land ownership with protections for sensitive personal data that identifies individual persons (the IPA register could serve as a model). The register should be searchable and machine-readable to support supervisory analysis by appropriate authorities.
2. Require ILGs engaged in commercial activity, especially in the resource extraction sector, to file mandatory BO declarations tailored to customary structures. BO rules for companies may not be a perfect fit: the rules for BO disclosure for ILGs should be customised to capture control mechanisms relevant to customary and collective ownership structures, including de facto control by outsiders. The legislation should define reportable control thresholds and set disclosure timelines, verification responsibilities and penalties for non-compliance.
3. Require enhanced due diligence (EDD) for ILGs involved in the resource extraction sector. EDD should include BO verification, source-of-funds checks for significant transactions, and ongoing transaction monitoring for suspicious activity.
4. ILGs should be required to submit annual returns so that core information is confirmed or updated at least annually. [This may require a legislative change.] Because ILGs hold customary land, strike-off is may not be an appropriate compliance mechanism. Instead, consider imposing proportionate administrative measures (fines, temporary removal of executive privileges, disqualification from office, etc.) keeping in mind due-process safeguards.
5. The Department of Lands should publish an annual compliance report on ILG registration and BO filings (in the aggregate where individuals are not identified). The Department should explore ways in which to provide AML-related ILG data to FASU.
6. The Department should provide targeted capacity-building and outreach for ILG members, financial institutions and professional intermediaries on ML/TF risks, new BO obligations and practical steps to combat misappropriation of funds.
7. The Department of Lands should be encouraged to participate more fully in national ML/TF compliance efforts.

11.3 Co-operatives

Co-operatives in PNG are generally low-risk for ML/TF given their local membership model, but observable supervision gaps, weak compliance enforcement, and the potential for extractive-sector exposure create targeted vulnerabilities. Recommendations below prioritise proportionate, practical measures that preserve the co-operative purpose while closing traceability and oversight gaps.

1. The Co-operatives Registrar should establish and maintain an online, publicly accessible register containing at minimum: co-operative name; registration number; registration date; principal officers and contact details; registered address; and identifiers for any legal representatives or trustees. The register should be searchable and machine-readable to support supervisory analysis, with safeguards for any sensitive personal data. While an online register will support ML/TF compliance efforts, it is simultaneously an important good-governance improvement for a significant economic sector in PNG.
2. PNG should consider whether a tailored beneficial ownership / control disclosure requirement is warranted for larger co-operatives. A disclosure requirement could be applied on a risk-based threshold (for example, annual turnover, aggregate receipts or member count). Any such disclosure rules should be customised for co-operative governance structures and set verification responsibilities, timelines and penalties for non-compliance. This would need wide consultation to make certain any amendment to the law is practical and grounded in the co-operative setting.
3. Require a basic annual return that requires all information in the register to be confirmed or updated (including the membership list). Consultations should be undertaken to determine if more robust financial reporting should be required for larger co-operatives. Proportionate administrative penalties should be available for non-filing.
4. The Registrar should provide capacity-building for co-operative members and stakeholders on the risks of ML/TF and practical steps to combat misappropriation of funds. Training should also be provided for financial institutions and third-parties such as lawyers and accountants to help ensure sustainable compliance and enforcement.

11.4 Legal Persons as embedded in the financial system

PNG holds gross statistics on suspicious matter reports, but these are not categorized in a manner that allows for robust queries to establish typologies on how legal persons could be misused for money transfers. The limitation is a resourcing and legacy systems issue rather than an expression of policy intent or lack of awareness.

Long-term FASU should enhance the SMR reporting template to capture additional data fields that allow identification of types of legal persons subject to SMRs and flag entities that have multiple transactions highlighted. In the short term, FASU could consider a targeted, low-cost intervention (data extraction template or employing a short-term contractor to manually review files) to produce usable data for typology development. FASU should use this data to support targeted BO inquiries by IPA under IPA's BO enforcement policy.

11.5 Legal Persons as embedded in the legal system

There are very few prosecutions and convictions for money-laundering involving PNG legal persons. While a full analysis of the judicial system is outside the scope of this Assessment, the absence of meaningful sanctions and prosecutorial activity increases ML risk by weakening deterrence. This absence also limits the availability of trial-tested evidence needed to develop typologies that would support future targeted EDD efforts.

To improve deterrence and develop usable typologies, FASU and partner agencies should prioritise (a) producing court-ready referral packages for priority ML cases, and (b) implementing targeted training for investigators and prosecutors on complex financial investigations. These steps will require a Government commitment to increase capacity.

Technical Annex 1

Statistical Analysis of Zero Detected TF Events

As a supplement to normal analysis, this Assessment suggests the use of a simple Poisson-based statistical approach to determine when zero flagged terrorist financing (TF) transactions genuinely imply that TF events are extremely rare or nonexistent.

This annex quantifies, under explicit assumptions about detection probability, how many true TF events over a three-year review period are consistent with observing zero flagged transactions. This annex estimates 95% upper bounds on true TF events under assumed detection probabilities of 100%, 50% and 20%.

The analysis begins with a fundamental logical proposition:

1. If material cross-border TF via PNG legal persons were occurring, it is reasonable to expect that at least some indicators would have appeared in SMRs, investigations, prosecutions, intelligence reporting, or other available sources.
2. In fact, no suspicious TF transactions were flagged in the last 3 years.
3. Conclusion: it is highly unlikely that material TF transactions occurred in the last 3 years.[183]

It is possible via statistical means to account for possible missed detections by using the Poisson process—a standard model for measuring random events happening at a constant average rate (λ) over a fixed period (here, three years).[184] This is the model and formula:

1. Let λ denote the expected number of true TF events over the three-year period.
2. p = the probability that any single true TF transaction would be detected and reported during the period.
3. $\lambda \cdot p$ = the expected number of *detected* events.
4. $\exp(-\lambda \cdot p)$ = probability of observing zero detected events given those parameters.

Solving $\exp(-\lambda \cdot p) = 0.05$ (the 5% tail) gives the 95% upper bound on the total true events:

$$\lambda\_95 = -\ln(0.05) / p \approx 2.995 / p.$$

[183] The absence of any detected TF cases over the review period supports the conclusion that material TF activity involving PNG legal persons is unlikely. This is an application of classic modus tollens logic: if material TF via PNG legal persons were occurring, FASU would have flagged at least one case; no case was flagged; therefore, material TF is highly unlikely.

[184] This bound assumes events are independent and occur at a regular rate over time. In practice, TF flows can cluster (e.g. around a major money-producing event), which would violate the Poisson assumption and could widen confidence intervals. In the absence of any detected events—and given no time-stamp data—no clustering model can be parameterized. Therefore, this Poisson analysis is presented as an alternative, transparent supplement to the Assessment's attempted qualitative risk analysis.

Application of formula. For every 1,000 transactions, if we assume that the PNG TF transaction reporting regime is rigorous and the detection probability[185] is above 95% for all TF transactions, under the Poisson model:

1. The chance of observing zero events is exp(–λ).

2. Setting exp(–λ) to 5% solves to λ ≈ 3.

Interpretation: with 95% confidence, fewer than three TF events occurred over three years.

But this conclusion only holds if the detection regime is robust. Because no system is perfect, it is possible via statistical means to account for possible missed detections by using the same Poisson process but with a different estimate on the level of detections. Allowing for a less rigorous detection probability, divide that λ-bound by the assumed detection rate:

1. Assume the PNG SMR TF regime would flag 50% of true TF transactions, then the 95% upper bound on true events = 3 ÷ 0.5 = 6. Thus, the 95% upper bound over three years is 6 true TF events.

2. Now assume that the PNG suspicious transactions reporting regime would only flag 20% of true TF transactions, then the 95% upper bound on true events = 3 ÷ 0.2 = 15. Thus, the 95% upper bound over three years is 15 true TF events.[186]

This can be expressed in a simple table:

Number of transactions	p = 1.0 — λ95 (events) [a 95%+ detection rate]	p = 0.5 — λ95 (events): [a 50% detection rate]	p = 0.2 — λ95 (events) [a 20% detection rate]
1,000	3	6	15
10,000	3	6	15
100,000	3	6	15

Interpretative notes

1. The λ95 figures are absolute upper bounds on the number of true TF events over three years. To convert to a rate, divide λ95 by the number of transactions (for example, λ95 = 6 over 10,000 transactions which implies 0.6 events per 1,000 transactions).

2. If PNG processed roughly 10,000 relevant transactions over three years and detection probability p ≈ 0.5, the 95% upper bound is ≈6 true TF events total, implying at most ≈0.6 undetected TF events per 1,000 transactions.

[185] To adjust for the fact that FASU might miss some real events, let "detection probability" be the chance that any single TF transaction would be flagged. The 95% upper bound on the actual number of events then becomes:

Upper bound = 3 / detection probability.

[186] This sets out three illustrative detection rates to span the spectrum from near-perfect (100 %) to conservative (20 %) performance. This approach avoids an arbitrary single estimate and demonstrates how risk bounds shift under alternative operational assumptions. Any detection level could be run under the same formula (e.g. 30 %, 40 %, 60 %) but are omitted for clarity. The 20 % rate is adopted as a conservative 'worst-case' detection assumption.

3. If exposure is much larger (for example, 100,000) and p—the probability of detection—is high, the implied rate per transaction becomes vanishingly small; if p is low, the absolute upper bound on events remains the same (≈6 or ≈15) while the implied rate per transaction remains small. In plain English, this means that the greater the number of transactions the more likely it is that a single TF transaction will be found even if the detection regime is not working well.

In conclusion, because no suspicious TF transactions were flagged—even allowing for occasional missed detections under reasonable reporting gaps—the quantitative plausibility check in this annex suggests at most only a small handful of undetected terrorist-financing transactions, making material TF flows via PNG legal persons unlikely.