



Economy

The view from the Isle of Man

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Gouvèrnémént d'Jèrri



THE ISLE OF MAN MUTUAL EVALUATION EXPERIENCE

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ISLE OF MAN GOVERNMENT



A LITTLE INFORMATION ABOUT ME

- ❑ Head of AML/CFT Policy Office - since February 2022
- ❑ LEGAL BACKGROUND – Prosecutor in the UK for nearly 20 years in the Prosecutions, Licensing & Governance Team for a large Local Authority (population 340,000)
- ❑ Lead Prosecutor for regulatory law, fraud/ML offences, POCA etc.
- ❑ Nominated Officer for the Authority and Legal Advisor to the MLRO
- ❑ Lead Advisor for COVID enforcement

AML/CFT POLICY OFFICE

- ❑ Based in the Cabinet Office
- ❑ Central body responsible for all things AML/CFT/PF
- ❑ role: to oversee IOM's AML/CFT regime across Government
- ❑ co-ordinate IOM'S response to international assessments
- ❑ Central body responsible for all things AML/CFT/PF
- ❑ Head of Delegation to MONEYVAL
- ❑ Small team with a huge responsibility - in the process of expanding

OUR LAST MUTUAL EVALUATION REPORT

- ❑ On-site visit in 2015 – 5th MONEYVAL assessment in this round
- ❑ IOM selected to go early. Other two CDs were to be later on
- ❑ report published in 2016 and can be seen at <https://www.Fatf-gafi.Org/en/publications/mutualevaluations/documents/mer-isle-of-man-2016.Html>
- ❑ technical part of report – 36 out of 40 positive markings
- ❑ Effectiveness part of report – 2 out of 11 positive markings
- ❑ Entered FATF's one-year observation period in ICRG process
- ❑ First jurisdiction to come out of ICRG process without being placed going on FATF's grey-list

ESCAPING ICRG

- ❑ ICRG is FATF's International Co-operation Review Group – FATF continually identifies and reviews jurisdictions with strategic AML/CFT deficiencies that present a risk to the international finance system and closely monitors their progress. ICRG oversees this process.

ESCAPING ICRG

- ❑ IOM had conditions attached – extra MONEYVAL supervision/reporting
- ❑ substantial cost to create a number of different teams:
 - ❑ AML/CFT Policy Office;
 - ❑ FIU, ECU & Asset Recovery Team;
 - ❑ Additional funding for the FIU to improve handling of SARs;
 - ❑ Additional funding for the ECU to appoint new staff & introduce a new IT system;
 - ❑ Additional funding for the Asset Recovery Team;
- ❑ 6 new pieces of primary legislation & 45 secondary pieces enacted
- ❑ Huge collaboration with industry to make changes within 1 year

POST MUTUAL EVALUATION REPORT – WHAT WE LOOK LIKE NOW

- ❑ Regulator no longer co-ordinates AML/CFT regime
- ❑ Fully established Asset Recovery Team within AG's Chambers
- ❑ Creation and use of Seized Asset Fund
- ❑ FIU made independent – civilian & police staff
- ❑ Created PIMLIT (Proactive International Money Laundering Investigation Team) – civilian and police investigators
- ❑ Amalgamation of insurance regulator into general financial sector regulator (FSA)
- ❑ Creation of AML/CFT Division within the FSA
- ❑ Gambling regulator is separate with an AML/CFT division.

POST MUTUAL EVALUATION REPORT – WHAT WE LOOK LIKE NOW

- ❑ After follow-up reporting process, MONEYVAL re-rated technical markings - now have only 1 out of 40 FATF Recommendations negatively marked – putting us at around 5th best technically marked jurisdiction in the world.
- ❑ Updated National Risk Assessment - published in 2020
- ❑ Other jurisdictions have just introduced NRA – Bermuda and BVI
- ❑ Sectorial risk assessments
- ❑ Financial Crime Strategy 2021-2023
- ❑ Regulator introduced civil fining powers
- ❑ Created centralised Beneficial Ownership Register
- ❑ Brought in specific regulatory codes for gambling and one for specified Non–Profit Organisations & many sector specific guidance
- ❑ Created Anti-Bribery & Corruption Project/Strategy/website
- ❑ Creation of PPP – (equivalent to JFIN)

MONEYVAL PREPARATION

- ❑ Future focussed
- ❑ Pro-active
- ❑ External Diagnostics Analysis undertaken in November 2022 – report in December 2022 - recommendations made
- ❑ The Diagnostics Analysis Report has been adopted as the roadmap for MONEYVAL preparation
- ❑ Each agency working in collaboration – no more working in SILO
- ❑ Collaborative working with industry & other jurisdictions
- ❑ Full support from the Chief Secretary & Chief Minister
- ❑ Appointment of an AML/CFT Minister
- ❑ Funding for resources made available/ongoing
- ❑ Nominations for assessor training to increase knowledge

VIRTUAL ASSET SERVICE PROVIDERS (VASPs)

- ❑ FSA currently drafting legislation to bring in “travel rule”
- ❑ Working on changing legislation, such as Proceeds of Crime Act to cover VASP terminology e.g. Adding in “wallets” where sections reference “accounts”
- ❑ VASPS currently must register with FSA
- ❑ subject to the requirements of the AML/CFT Code 2019
- ❑ subject to the Designated Business (Registration and Oversight) Act 2015 – gives regulator powers to oversee sector for AML/CFT purposes
- ❑ Since August 2021, have had in place sector-specific guidance
- ❑ currently use the term ‘Convertible Virtual Currency’ but will be changing to VASPS

POLITICALLY EXPOSED PERSONS (PEPS)

- ❑ currently have fully compliant rating for Recommendation 12 (PEPS)
- ❑ In MER - deficiency that we had gaps in applying PEP requirements to Beneficial Owners of life insurance policies. Corrected in follow-up process.
- ❑ FSA has just completed a thematic visit exercise looking at industry's handling of PEPS
- ❑ Bribery & Corruption Strategy - part of which covers international bribery etc. occurring outside of the IOM, which, for an IFC often involves PEPS
- ❑ Share links

GOVERNANCE PROCESS

- ❑ Effectiveness Group – steering group for all things AML/CFT related – members consist of ‘specialists’ from each agency. Has a number of sub-working groups (e.g. Outreach, NPO’s, Sanctions, Recruitment, Comms etc.). Chaired by AML/CFT Policy Office
- ❑ AML Advisory Group – industry based – Chaired by AML/CFT Policy Office
- ❑ Financial Crime Strategic Board - responsibility for ensuring that we comply with international standards - members consist of Heads of Service from each agency. Chaired by the Chief Secretary
- ❑ Economic Strategy Board – political Board with responsibility for anything economy related. Political oversight for AML/CFT

INTERACTION WITH INDUSTRY

- ❑ Advisory Group
- ❑ Department for Enterprise – responsible for promoting the island. They regularly meet with industry. Part of our FCSB.
- ❑ Regulators hold regular events with 'off island' expert speakers/newsfeed/send regular messages out to licence holders, when required
- ❑ FIU has a website and circulate messages through their Themis system to licence holders
- ❑ Customs – feed to industry on Sanctions updates
- ❑ PPP – Public Private Partnership – this will increase our interaction with industry
- ❑ Podcasts

SOME LESSONS FOR INDUSTRY FROM OUR MUTUAL EVALUATION EXPERIENCE

- ❑ English is often not the assessors first language
- ❑ Do not use local terms and jargon – try and only use FATF speak
- ❑ In meetings with them do not only select senior management to be interviewed.
- ❑ Do not assume they are experts in all areas of business
- ❑ Be prepared to be very patient – try not to argue with them
- ❑ Only give answers you are really sure about – if in doubt say will get back to them (but then do get back to them)
- ❑ Be honest – they are cross checking all the time
- ❑ Only promise what you can deliver
- ❑ Expect an intense interrogation with assessors taking lots of notes
- ❑ Be consistent - one joined up approach by all.

IF SELECTED TO MEET ASSESSORS BE PREPARED

- ❑ The assessors follow the guidance given to them in the FATF methodology. THIS CAN BE SEEN AT <https://www.Fatf-gafi.Org/en/publications/mutualevaluations/fatf-methodology.Html>
- ❑ specifically they are guided as to what areas to cover in their questioning
- ❑ Reading the methodology will outline to you the areas the assessors will be exploring

CONTACT DETAILS

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