

An aerial photograph of a coastal town and beach. The town is built on a hillside with green trees and houses. A large, multi-story building is prominent. The beach is sandy and curved, with many people and umbrellas. The water is a vibrant turquoise color, and there are several small boats in the bay. A rocky cliffside is visible on the left side of the image.

Financial Crime Strategy Industry Update

14 July 2022

COMBATting FINANCIAL CRIME TOGETHER

What are the core objectives of FATF?

Policy-making

- FATF 40 Recommendations
- 11 Immediate Outcomes to assess effectiveness

Evaluations

- Mutual Evaluation Reports set out where a jurisdiction is succeeding or failing in having effective AML/CFT regimes

Typologies

- Guidance on what money laundering and terrorist financing can look like in reality

Public Identification

- FATF Public Statements



What countries and organisations are FATF members?

FATF members – 37 jurisdictions and two regional organisations

Argentina	France	Japan	Saudi Arabia
Australia	Germany	Republic of Korea	Singapore
Austria	Greece	Luxembourg	South Africa
Belgium	Gulf Co-operative Council	Malaysia	Spain
Brazil	Hong Kong / China	Mexico	Sweden
Canada	Iceland	Netherlands	Switzerland
China	India	New Zealand	Turkey
Denmark	Ireland	Norway	United Kingdom
European Commission	Israel	Portugal	United States
Finland	Italy	Russian Federation	

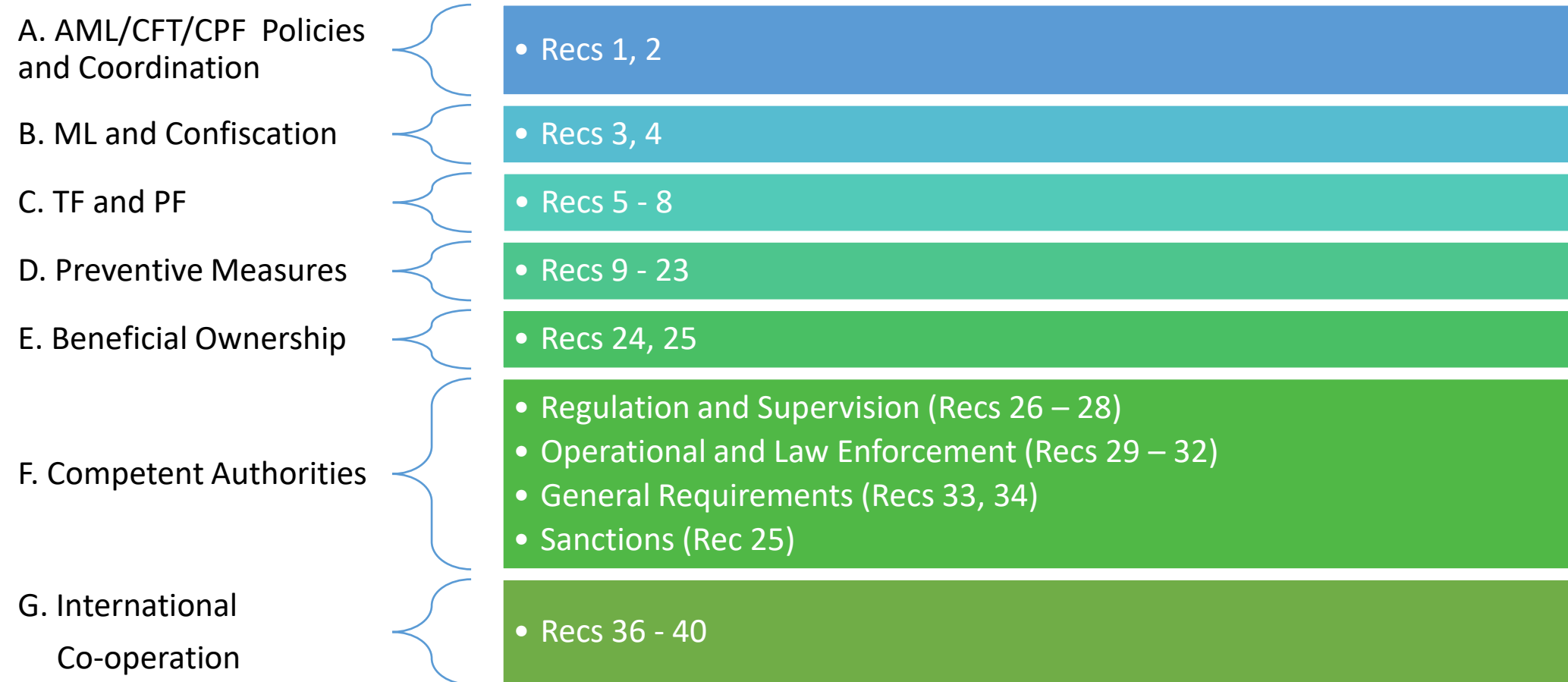


FATF regional bodies, including MONEYVAL

APG	Asia Pacific Group, Australia
CFATF	Caribbean Financial Action Task Force
EAG	Eurasian Group, Russia
ESAAMLG	Eastern and Southern Africa AML Group, Tanzania
GABAC	Central Africa AML Group, Gabon
GAFILAT	Latin America AML Group, Argentina
GIABA	West African ML Group, Senegal
MENAFATF	Middle East and North Africa FATF, Bahrain
MONEYVAL	Council of Europe AML Group, France



FATF Recommendations - technical



Immediate outcomes



1 | Risk, Policy and Coordination

Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.

2 | International cooperation

International cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

3 | Supervision

Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CFT requirements commensurate with their risks



4 | Preventive measures

Financial institutions and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.

5 | Legal persons and arrangements

Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments

6 | Financial intelligence

Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations.

7 | Money laundering investigation & prosecution

Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.

8 | Confiscation

Proceeds and instrumentalities of crime are confiscated.

9 | Terrorist financing investigation & prosecution

Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.



10 | Terrorist financing preventive measures & financial sanctions

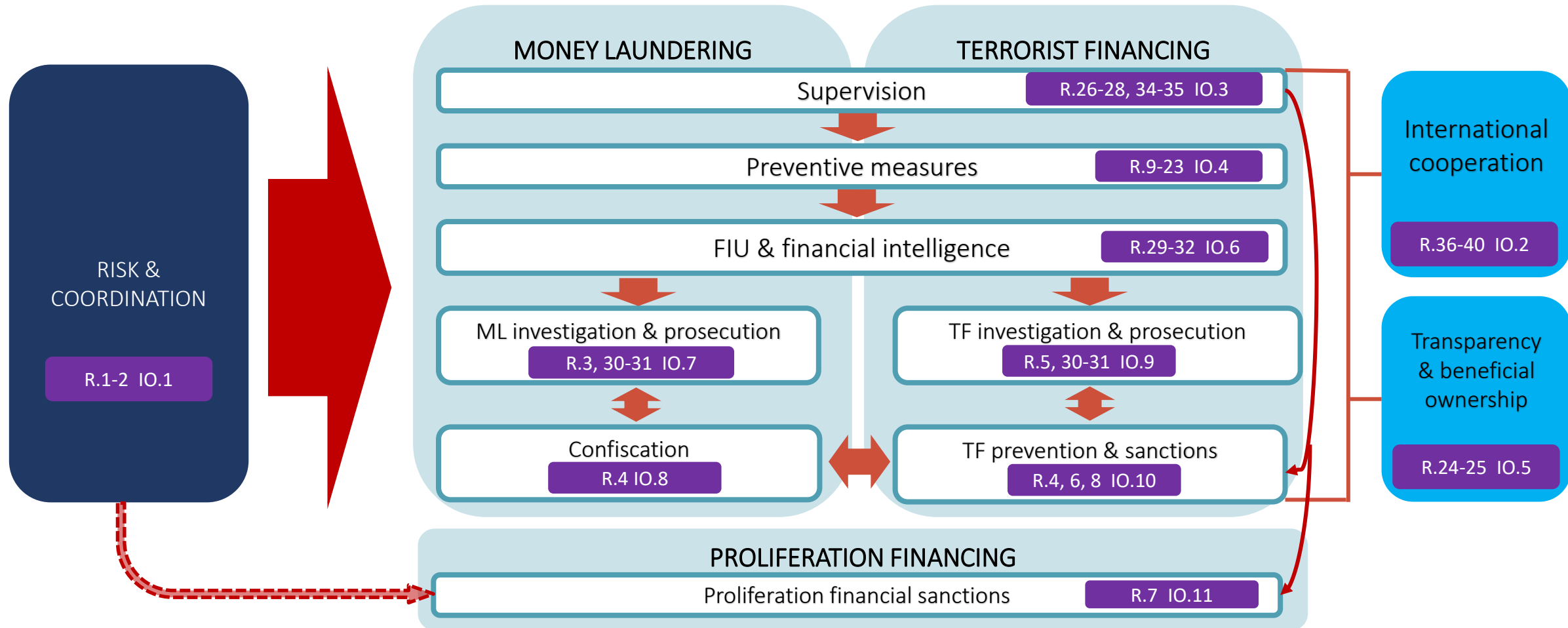
Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.

11 | Proliferation financial sanctions

Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.



What should an effective regime look like?



High risk and monitored jurisdictions



Black List

Democratic People's Republic of Korea
Iran

Grey List

[Albania](#)

[Barbados](#)

[Burkina Faso](#)

[Cambodia](#)

[Cayman Islands](#)

[Gibraltar](#)

[Haiti](#)

[Jamaica](#)

[Jordan](#)

[Mali](#)

[Morocco](#)

[Myanmar](#)

[Nicaragua](#)

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[Philippines](#)

[Senegal](#)

[South Sudan](#)

[Syria](#)

[Turkey](#)

[Uganda](#)

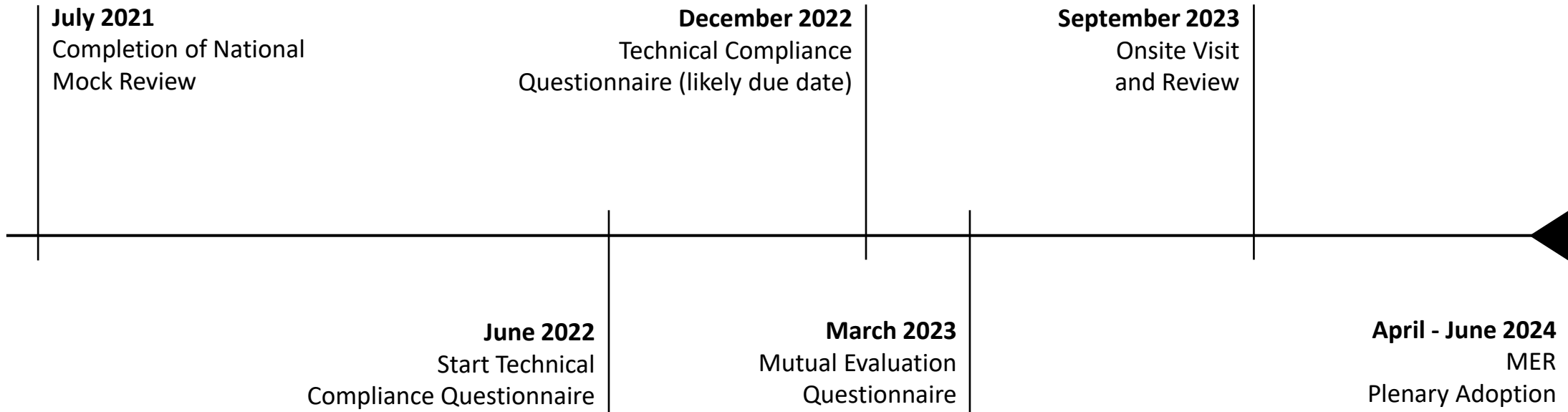
[UAE](#)


[Yemen](#)



Timeline to MONEYVAL

2021	2022	2023	2024
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 Completion of all NRA and Mock Review Action Items and Key Risk, Policy and Legislative Initiatives	Preparation and Submission of MV Questionnaires	Preparation for Onsite Visit and Review	Multiple revisions of Report between country and MONEYVAL and Preparation for MV Plenary
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Recent evaluation events



Gibraltar joins UAE on FATF grey list as government responds to AML scrutiny

Mark Battersby
21 June 2022 • 1 min read

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Malta agrees Action Plan for removal from FATF 'grey list'

12 2021
Pakistan Comes Closer to Exiting Terror Funding Monitor's 'Gray List'



Cayman placed on FATF grey list

Under increased monitoring of anti-money laundering practices

By Michael Klein - February 25, 2021

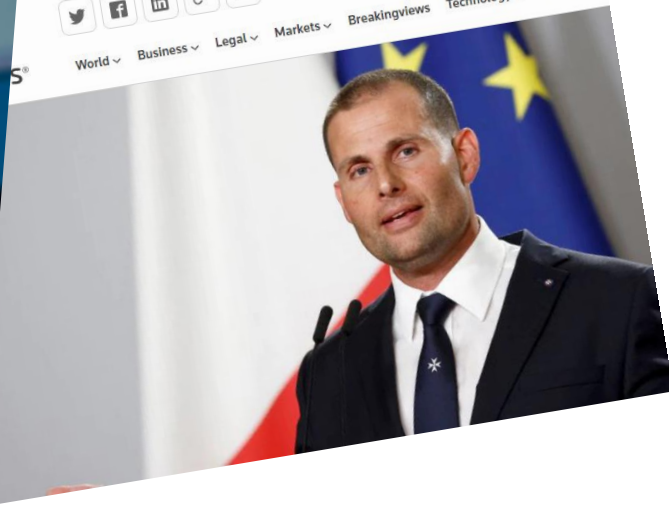


Europe
Global dirty money watchdog removes Malta from its grey list

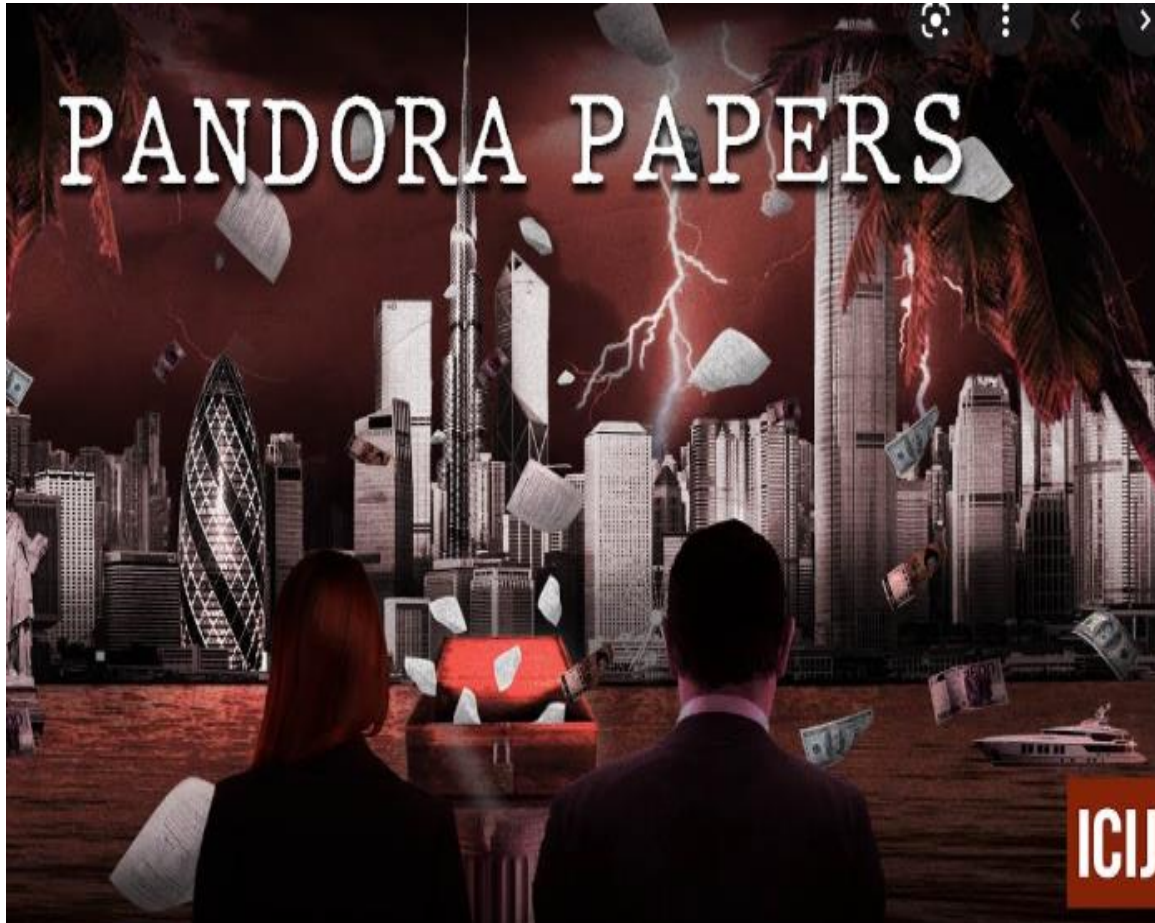
Reuters

World  Business  Legal  Markets  Breakingviews  Technology  Investigatio



Events outside of evaluations



PANDORA PAPERS: Ex-governors, ex-minister, others kept N117 billion assets in two tax haven banks

A huge chunk of the assets was kept with Standard Chartered Bank in Jersey and Standard Bank Offshore in the same city.

by Yusuf Akinpelu — October 11, 2021 in [Headline Stories](#), [Pandora Papers](#) 10 min read



In Nigeria, about four in 10 persons may be poor, with the figure reaching about nine in ten in some states, as they earn less than N377 daily, according to a 2019 estimate by the National Bureau of Statistics (NBS), but not these Nigerians who have now been seen to possess multibillion naira assets.

Not many of them would be seen on the Forbes' wealthiest list, but these 21 Nigerians are worth a treasure.

According to filings of their businesses with their offshore financial managers, Trident Trust Company (BVI)

Events outside of evaluations



Jersey freezes \$7bn worth of assets linked to Roman Abramovich

Channel Island's order is another major blow to sanctions-hit Russian oligarch



Roman Abramovich in Israel last month. The Jersey asset freeze against him is just shy of the \$8bn total that Switzerland has seized from all 900 Russians on the EU and US sanctions lists © Reuters

And the potential impact...



WP/21/153

IMF Working Paper

**The Impact of Gray-Listing on Capital Flows:
An Analysis Using Machine Learning**

Mizuho Kida and Simon Paetzold

- Significant negative effect shown on capital inflows after grey-listing.
- Empirical results suggest capital inflows drop by an average of 7.6 per cent of GDP when a country is grey-listed.
- Other effects on GDP (averaged):
 - FDI inflows may decline by -3.0 per cent
 - Portfolio inflows by -2.9 per cent,
 - Other investment inflows by -3.6 per cent.
- These estimated impacts are all statistically significant.
- <https://www.elibrary.imf.org/view/journals/01/2021/153/article-A001-en.xml>

National Mock Review Process

- Post the 2020 NRA Government undertook a mock review exercise to ensure implementation of the FATF Standards and an understanding of how to best demonstrate effectiveness.
- International AML/CFT experts provided specialised advisory services to national government and public authorities.
- The Mock Review process was combined with parallel work instructed by the JFSC, focussing on technical assistance with AML/CFT supervision and additional instruction of a leading QC to examine the investigation and prosecution regime for financial crime.
- A report was produced in August 2021 which assessed the Island's position on the Immediate Outcomes and identified actions to improve compliance levels.
- The Financial Crime Political Steering Group together with over 70 officials agreed a National Financial Crime Work Plan in September 2021.
- Key Trade Association Representatives were updated on 20th October 2021 on the findings of the mock review process and the steps the authorities are taking to prioritise actions.



Priorities

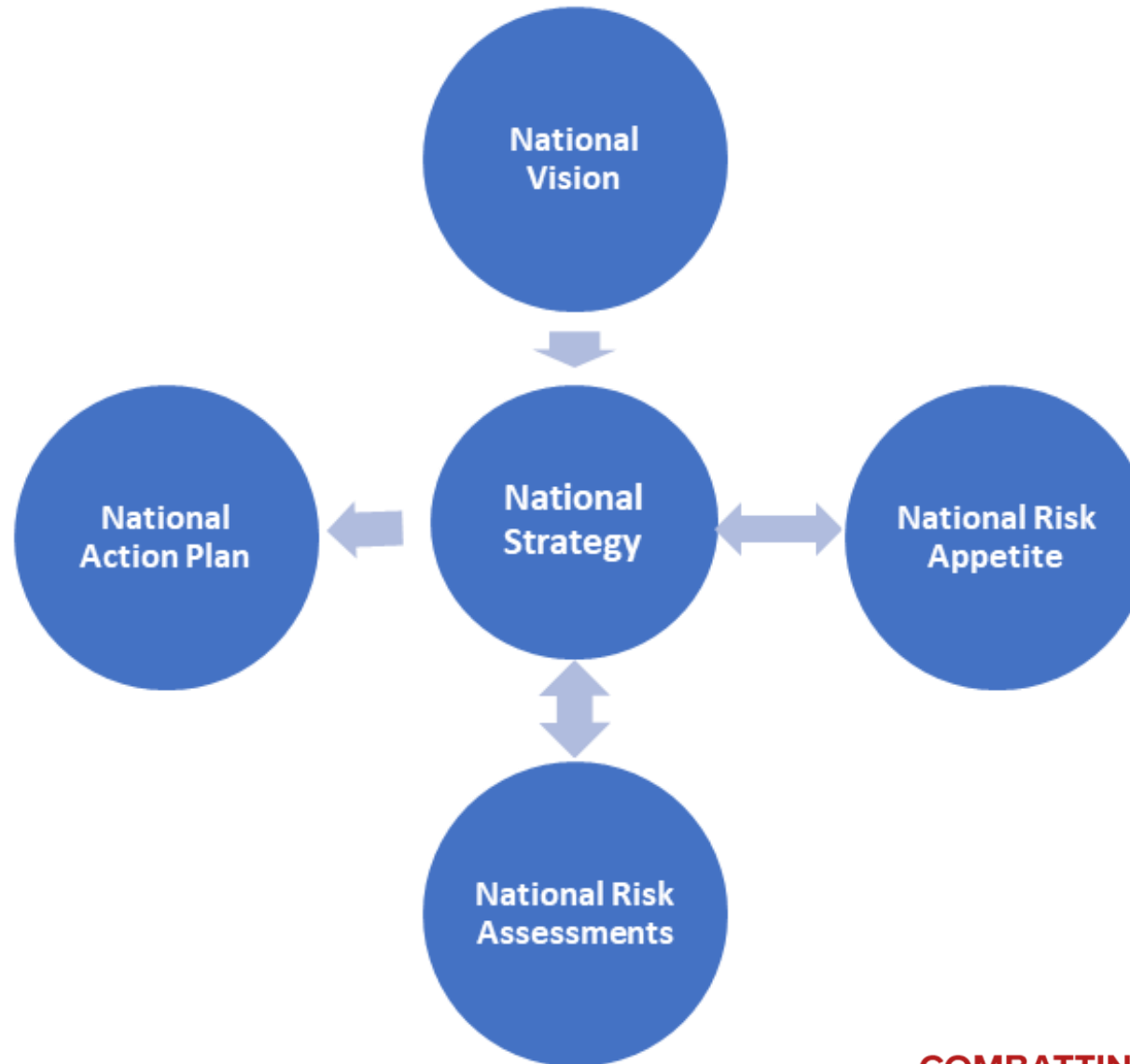
1. Ongoing National Risk Assessments
2. National Risk Appetite Statement
3. National Risk Strategy
4. Human Resources – both at authority and industry level
5. Creation of a National Financial Crime Statistics Database
6. Positioning, Structure, Resource and Governance of the FIU
7. Trusts – access to information - getting information in a “timely” manner
8. Industry engagement - revised approach to outreach and engagement
9. Supervision of NPOs, specifically high-risk NPOs
10. A revised structure for the TFS authority and outreach and engagement
11. Implementation of a revised resource model for ECCU
12. Implementation of JFSC risk model for supervision based on ML/TF risk indicators



National Risk Strategy

Julian Gouge

National Strategy for Combatting Money Laundering, the Financing of Terrorism and the Financing of Proliferation of WMD 2022-26



National Risk Assessments

Overall refresh / Family Offices, Caroline Morgan

Sector specific:

Non-Profit Organisations, Alex Rowse

Virtual Asset Service Providers, Olenka Apperley

Jersey Private Funds, Dr Bastian Hertstein

Legal Persons and Arrangements, Helen De La Cour



Overall NRA Refresh

Caroline Morgan, NRA Technical Lead



Risk Assessment

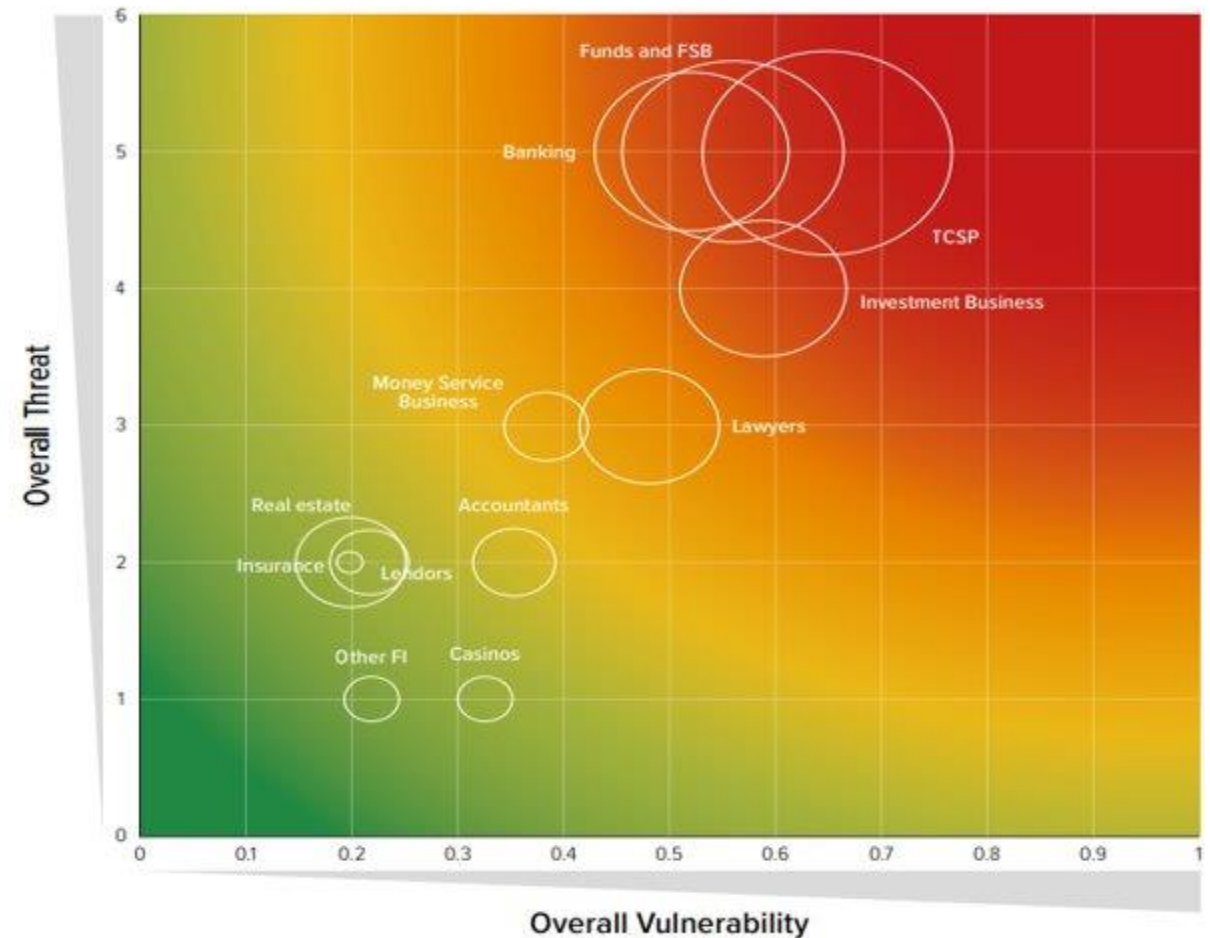
- Why is risk so important?
- Ongoing requirement to consider risks
- World Bank Methodology
- Money Laundering – September 2020
- Terrorist Financing – April 2021
- 2022 – 2023 work programme
- New areas
- Data updates
- Focus areas

2022 – 2023 ML Risk Assessment (1)



- National Vulnerability
- National Threat
- Trust and Company Service Providers
- Securities - Funds
- Banking
- Legal

Residual Risk 'Heatmap' for Jersey



2022 – 2023 ML Risk Assessment (2)



- Investment Business
- Money Service Business (non-bank)
- Accountancy
- Lending (non-bank)
- Immovable Property (Real Estate)
- Casino
- Insurance
- Other Financial Institutions

Family Offices: Risk Assessment



- TCSP activity undertaken - not within the scope of JFSC regulation
- Money Laundering risk assessment report – September 2020
- Impact of scope exemptions consultation – recast Schedule 2 of the Proceeds of Crime (Jersey) Law 1999
- JFL working Group
- Work in progress for producing risk report

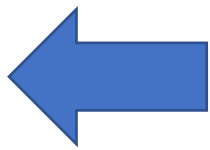


Non-Profit Organisations

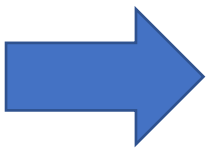
Alex Rowse, Associate Director Financial Crime Strategy



Jersey's Risks Assessed



Global Threat Identified and Standards amended



Legislative changes

APRIL 2022

Bailiwick of Jersey
National Risk Assessment of Non-Profit Organisations

COMBATTING FINANCIAL CRIME TOGETHER

BEST PRACTICES

COMBATING THE ABUSE OF NON-PROFIT ORGANISATIONS (RECOMMENDATION 8)

JUNE 2015

Non-Profit Organisations (Miscellaneous Amendments) (Jersey) Law 202- Contents

NON-PROFIT ORGANISATIONS (MISCELLANEOUS AMENDMENTS) (JERSEY) LAW 202-

Contents

Article		
PART 1		
NON-PROFIT ORGANIZATIONS (JERSEY) LAW 2008 AMENDED		
1	Non-Profit Organizations (Jersey) Law 2008 amended	3
2	Article 1 (non-profit organization defined) amended	3
3	Article 2 (exemptions) amended	3
4	Article 5 (application for registration) amended	4
5	Article 7 (obligation of NPOs to provide further information and documents) amended	4
6	Article 8 (refusal of application) amended	4
7	Article 9 (obligation of NPOs to give notice of change of registered information) amended	4
8	Article 10 (obligation of prescribed NPOs to prepare and provide financial statement) deleted	4
9	Article 11 (obligation of NPOs to keep and retain financial records) amended	4
10	Article 12 (obligation of prescribed NPOs to provide information to Commission) deleted	4
11	Article 13 (obligation of NPOs to provide certain information) amended	4
12	Article 13A inserted	5
13	Article 16 (continuing registration obligations of the Commission) amended	5
14	Article 17 (obligation of the Commission in respect of terrorism) amended	5
15	Article 19 (supply of information by the Commission) amended	5
16	Article 26 (supply of false information) amended	6
17	Article 27 (failure to provide information) amended	6
18	Article 28 (offences in respect of a financial statement) deleted	6
19	Article 30A inserted	6
20	Article 35 (deregistration of NPOs on order of the Royal Court) amended	6
21	Article 40 (amendment of Schedule) deleted	7
22	Schedule (application for registration) deleted	7

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Jersey Financial
Services Commission

NRO: Virtual Asset Service Providers

Olenka Apperley, Policy Adviser

Stock Take: Virtual Asset Service Providers (VASPs)

What has happened so far?

- › Working Groups established
- › National Risk Overview of VASP Sector published:
 - › Virtual Asset sector in Jersey remains small but not without AML/CFT risk
 - › Cross-border nature increases this risk
 - › Jersey's conservative nature has served as a AML/CFT risk mitigant
 - › Anticipation of sector growth
- › Proceeds of Crime (Amendment No. 6) (Jersey) Law 2022 captures VASPs (FATF definition)

What happens next?

- › Considering ancillary legislative amendments to cover:
 - › Asset seizure and forfeiture
 - › Travel rule
- › Developing a supervisory framework (inc. forms, data collection, guidance, amendments to AML/CFT Handbook)
- › Amendment No.6 will require all VASPs to register with the JFSC
- › Data collection will allow for a national risk assessment of sector

Want to get involved? Contact us at innovate@jerseyfsc.org



Jersey Private Funds

Dr Bastian Hertstein, Associate Director Financial Crime Strategy

Jersey Private Funds ML Risk Assessment



- 2020 ML NRA: ML threat '*high*' for funds sector - the final product ML vulnerability '*medium high*'
- January 2021: working group with industry, including Jersey Funds Association, JFL, JFSC and GoJ
- World Bank Methodology for National Risk Assessments
- Focus on JPFs given dominance and growth, divergence of views regarding inherent ML vulnerability
- Only considering *inherent* vulnerabilities, not any control variables (preventative measures)
- Most increase in risk understanding by limiting work to two vulnerabilities but with higher granularity:
 - Complexity and diversity of the portfolio of the product type
 - Client base profile of the product type
- Summer 2021: design data collection request and data collection from relevant DSPs via JFSC
- 44 active DSPs acting for 466 JPFs representing £87.5bn AuM
- Improved risk understanding regarding *inherent* vulnerabilities based on complexity and client profile
- Actions for industry, JFSC and GoJ



Legal Persons and Arrangements

Helen De La Cour, Associate Director Financial Crime Strategy



Legal Persons and Arrangements

- IO5: Prevent misuse of LPAs for ML and TF purposes.
- Information on their BOC is available to competent authorities
- How do these authorities identify and assess vulnerabilities and risks?
- Working together with:
 - JFSC
 - Company registry
 - FIU
 - Revenue Jersey
 - Law Officers' Department
- Data driven assessment
- Publish report Q1 2023



Separate legal personality



Hiding ultimate beneficial ownership



Access to the financial system



Asset Ownership