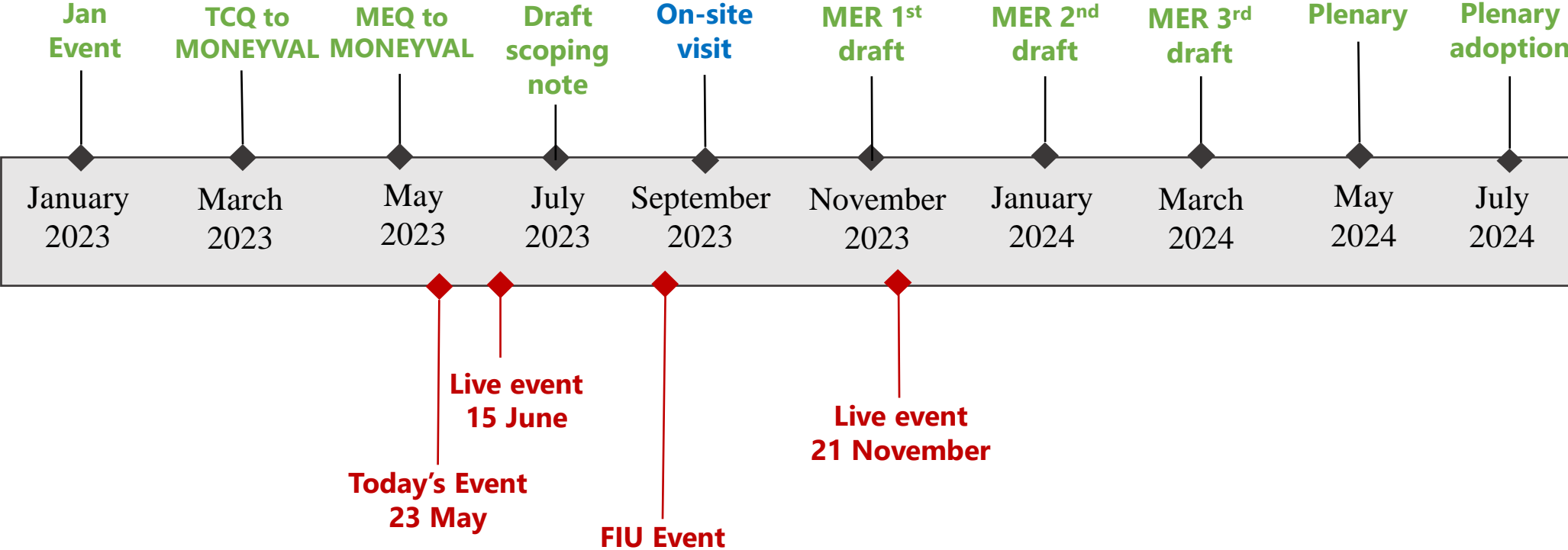




Financial Crime Industry Briefing

- MONEYVAL update (slides 2 and 3)
- National Risk Assessments (slides 4 to 8)
 - Legal Persons and Arrangements (slides 9 to 19)
 - Terrorist Financing (slides 20 to 27)
 - Money Laundering (slides 28 to XX)

Timeline 2023 to 2024





TCQ and MEQ documents submitted

- The Technical Compliance Questionnaire (TCQ) relates to the 40 FATF Recommendations
- Each Recommendation needs to address the relevant legislation / other requirements in place to combat money laundering
- The TCQ was a substantial piece of work almost of almost 500 pages
- The Mutual Evaluation Questionnaire (MEQ) deals with the 11 Immediate Outcomes
- The MEQ was almost 700 pages long.
- Both referred to around 90 pieces of legislation enacted locally.
- The TCQ and MEQ combined are supported by 329 reference documents
- They had input from up to 20 Island agencies and bodies
- Both documents submitted prior to deadline.



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National Risk Assessments

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COMBATTING FINANCIAL CRIME **TOGETHER**

FATF Recommendation 1: Assessing risks and applying a risk-based approach



- Countries should:
 - **identify, assess, and understand** ML and TF risks
 - take **action**, including designating an authority or mechanism to coordinate actions to assess risks
 - apply resources, aimed at ensuring the risks are **mitigated** effectively.
- Countries should require financial institutions and designated non-financial businesses and professions:
 - to **identify, assess** and take **effective action to mitigate** their ML and TF risks
 - if there are higher risks, require application of enhanced measures to **manage** and **mitigate** those risks





What is risk in a FATF context?

$$\text{Risk} = \text{Threat} + \text{Vulnerability}$$

Threat

A person or a group of people, object or activity with the potential to cause harm to, for example, the state, society, the economy etc...

Vulnerability

Weaknesses or gaps in the defence against money laundering that can be exploited by the threat or that may support or facilitate its activities.

To address risk you need to know its shape



- Rolling programme of NRAs – **risk is not static**
- First ML NRA published September 2020
- Subsequent NRAs:
 - April 2021: Terrorist Financing NRA
 - Response to FATF Recommendations 1 and 8
 - Recommends an assessment of NPO sector
 - Risk of TF abuse of financial services assessed as medium-low
 - April 2022: Non-Profit Organisations NRA
 - Found that 90% of NPOs fell in low or standards risk areas
 - Recommended a dedicated TF supervisor
 - May 2022: VASP overview
 - Sector not large enough for a full NRA
 - Need for legislative and regulatory regimes to be kept under review
POC (Amendment No 6)





More assessments in the pipeline

- Rolling out this summer:
 - TF NRA 2023 (update)
 - Should be read alongside the 2021 TF NRA
 - Shows progress in past two years
 - Legal Persons and Legal Arrangements NRA 2023
 - Involved a lot of data coming from industry
 - Confirmed much of what was suspected, but is now evidence based
- ML NRA 2023 (update):
 - Should be read alongside the 2020 ML NRA
 - Divided into two sections:
 - Updating national risk
 - Further detail on specific sectors



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Legal Persons and Arrangements (LPA) Risk Assessment

COMBATTING FINANCIAL CRIME **TOGETHER**



Are you a legal person or legal arrangement?

LEGAL PERSONS	LEGAL ARRANGEMENTS
Companies	Trusts
Foundations	Limited partnerships
Limited liability companies	Customary law partnerships
Limited liability partnerships	Fidéicommis
Incorporated limited partnerships	
Separate limited partnerships	
Incorporated associations	

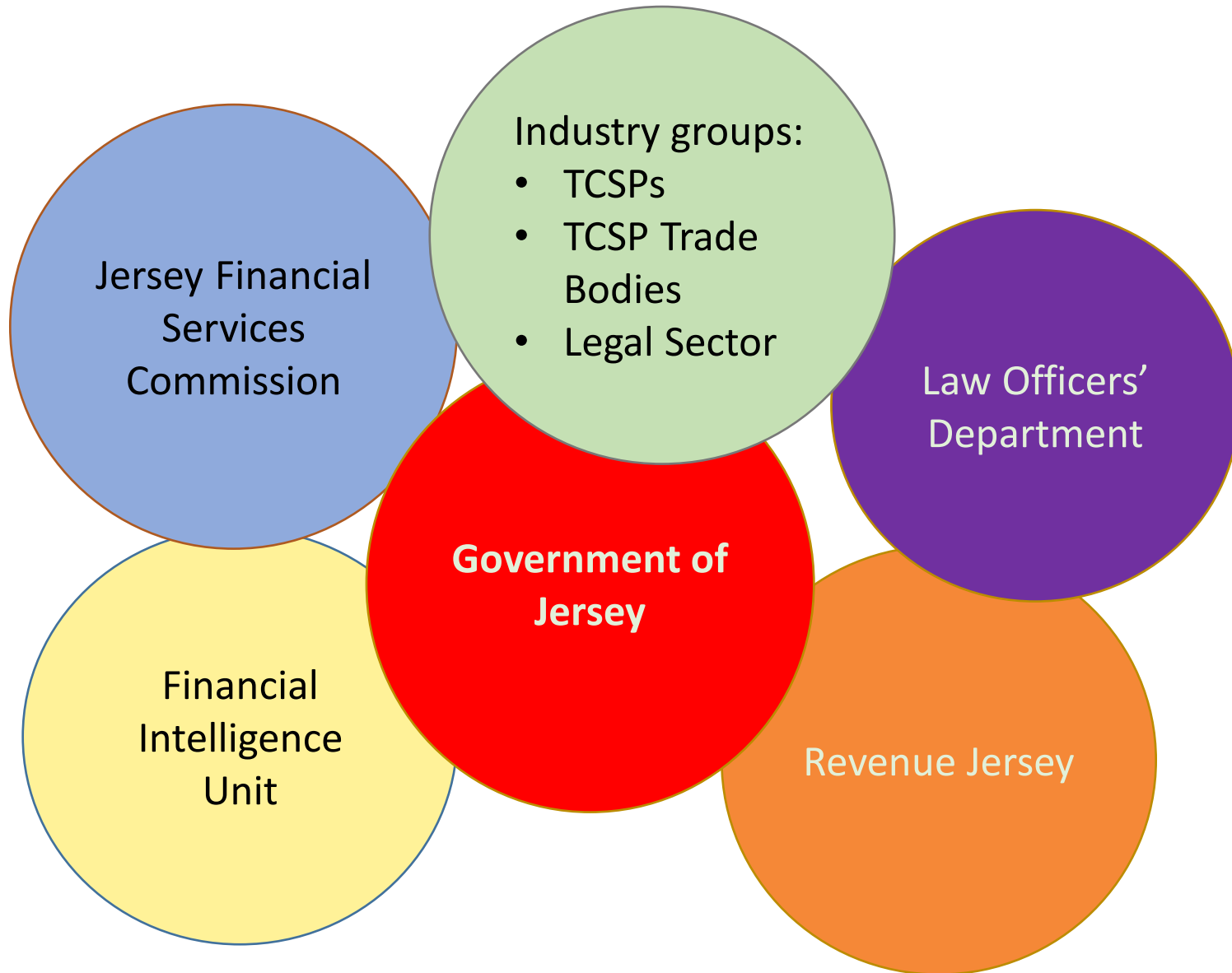
Overview



This was a data-driven assessment to gain an understanding of the use of the different types of LPAs, and how they might be misused

The objectives were to:

- Identify ML/TF threats and vulnerabilities posed by LPAs in Jersey
- Analyse, assess and understand the specific threats and vulnerabilities relevant to each type of LPA
- Identify actions to improve Jersey's regime to prevent and detect ML/TF undertaken through the use of LPAs and to address the vulnerabilities that have been identified (recommended actions)
- Provide the data to enable Jersey financial services businesses to better identify, manage and mitigate their ML/TF risks, as well as update their business risk assessments to further increase effectiveness



Working Group:

- Total of 16 meetings involving a wide range of agencies and industry representatives



Methodology: World Bank tool (1)

- **Mapping exercise**

- Compares the registration, formation, beneficial ownership obligations and common business operations for each type
- Assesses inherent vulnerabilities associated with particular LPAs including nominee arrangements

- **Money laundering threat**

- Data on the level of detected cases includes:
 - level of SARs
 - level of Mutual Legal Assistance (MLA) requests sent/received
 - level of criminal investigations
 - level of civil enforcement actions
 - level of proceeds laundered through LPAs
 - level of criminal prosecutions and convictions



Methodology: World Bank tool (2)

- **National vulnerability**

- Looks at inherent vulnerability factors of the jurisdiction
- Weighs attractiveness of the jurisdiction to abuse for money laundering
- Assesses strength of the mitigation measures in place

- **Entity risk assessment**

- Risk factors considered in respect of each type of entity



Data Collection

Reliable data is the key to comprehensive risk assessment, and includes:

- Existing Registry data
- FIU information relating to SARs, case files and requests for assistance
- 2022 data collection on certain LPAs including non-Jersey companies administered here
- JFSC annual Supervisory Risk Data Collection exercise
- LOD information – number of investigations, prosecutions and convictions
- Judicial Greffe information on incorporated associations and fidéicomis



Reminder

- There is no barrier against taking on higher risk business, so long as those risks are acknowledged, assessed, and mitigated appropriately
- As an IFC with its own specific profile, Jersey has to be able to assess these risks on a global scale, and meet any challenges they pose; as the world changes, so do the risks
- Moreover, we need to be able to demonstrate that all those steps have been taken to a reasonable standard, and to do that we need the raw data from all stakeholders, especially industry



LPA established through Registry		Rating
Jersey companies		Medium
Foundations		Medium
Limited liability partnerships		Low/Medium Low
Incorporated limited partnerships		Low/Medium Low
Separate limited partnerships		Low/Medium Low
Limited partnerships (legal arrangement)		Medium
Other Legal arrangements		Rating
Trusts		High
Customary law partnerships		Medium
LPA established through the Royal Court		Rating
Fidéicommiss (legal arrangement) and Incorporated associations (legal person)		Low/Medium Low



Next steps

- Publication of document
- Read it and understand the risks
- Consider collecting data on activity on an annual basis as part of annual confirmation statement
- Further work needed to look at trusts with non-professional trustees / Jersey law trusts outside Jersey?





Final thoughts

- Data collection exercise is useful for future JFSC risk assessment purposes; will remain relevant
- Appreciate that this is a task that sits alongside the day job, but the data is invaluable; allows us to present a fact-based narrative
- Informs Island approach, this exercise has resulted in changes to the SAR template and potentially a change in MLA data collection
- More information available on less popular, non-Registry formed LPAs, than previously thought
- Prevents nasty surprises – although so far none found



Update on Terrorist Financing National Risk Assessment (2023 TF NRA refresh)

Pia Holm, Co-Lead, National TFS/TF/PF/(NPO)
Policy Working Group and Senior Policy Adviser,
JFSC

History walking



- › Financial Action Task Force (FATF)
- › Recommendation 1: Assessing risks and applying a risk-based approach
 - › Identify, assess and understand the Terrorist Financing (TF) risks for the country
 - › Take action to mitigate those risks

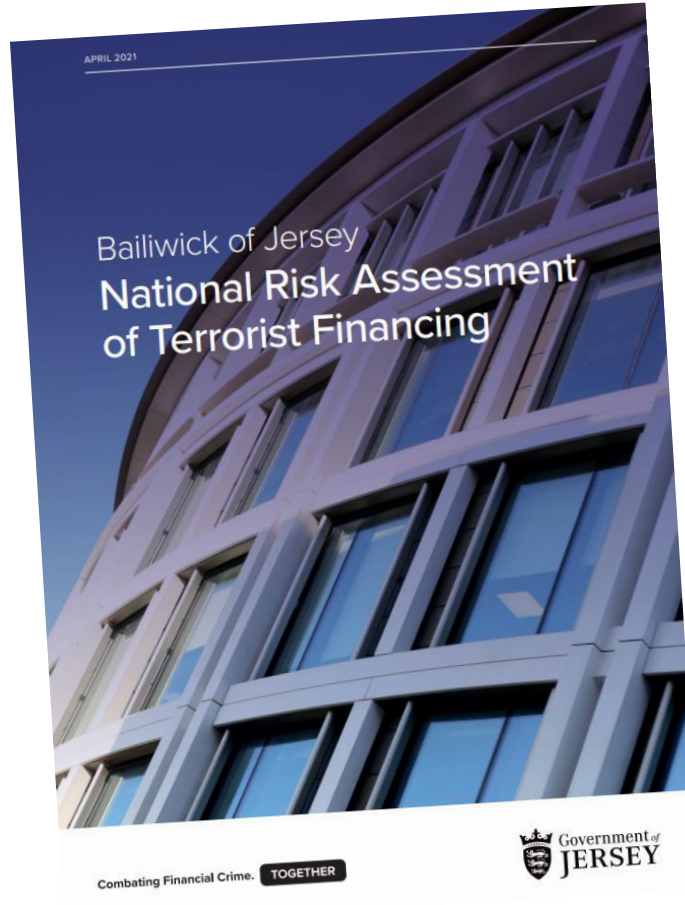


“Terrorist financing is the financing of terrorist acts, and of terrorists and terrorist organisations.”

This includes, directly or indirectly, assisting terrorists to raise, move, store and use funds, for example by:

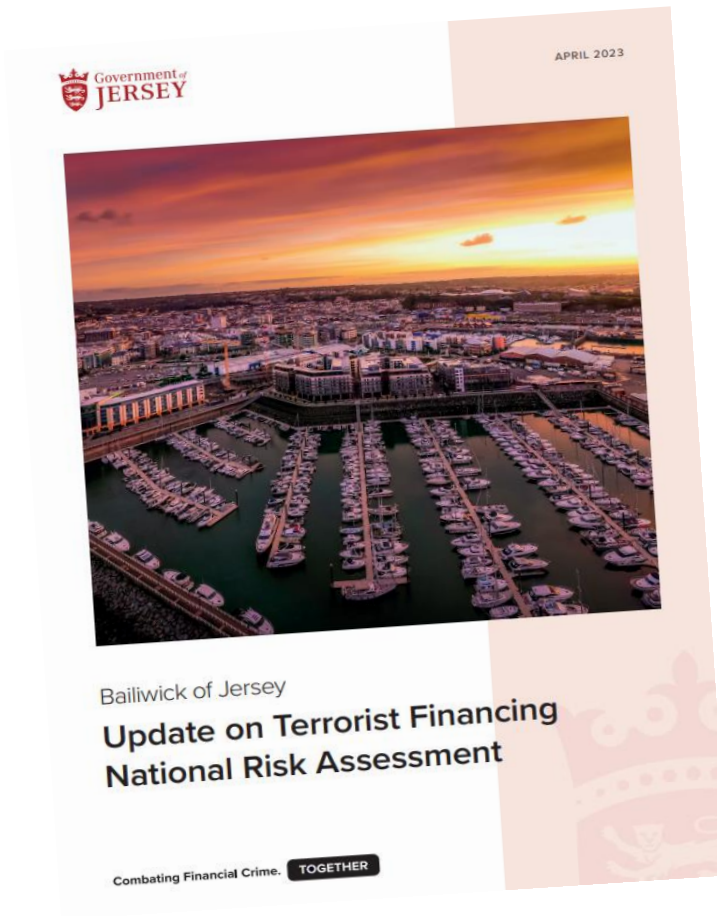
Providing logistical support.
Encouraging terrorist recruitment.
Otherwise supporting terrorists and their operations.

2021 TF NRA – the first half



- › Jersey's first National Risk Assessment focusing on Terrorist Financing
- › Built on the findings of the 2020 NRA, recognizing the need for continual assessment of the threat
- › Remains relevant as the first of a two-part analysis, the second published this week
- › A gap analysis identified areas of improvement
- › **TF risk assessed as: Medium-Low**

2023 TF NRA – the second half



- › 2020-2021 data compared with 2017-2019 data
- › Analysed additional information
- › 21 Target Jurisdictions + 1 other
- › Addressed areas of development:
 - › Improved/developed risk understanding
 - › Addressed information and data gaps
 - › Analysed JFSC data / information on industry's compliance with TF preventative measures
 - › Improved countering TF capacity and understanding
- › Identified future improvement actions
- › **TF risk remains at: Medium-Low**



An example of actions taken: Changes to NPO regulation and improved risk understanding

- National collaboration framework
- Strategy for financial crime
- Industry collaboration: 2022 NPO NRA
- Outreach/engagement campaign
- Amendments legal framework (FATF Rec 8)
- Multi-sector collaboration creating a robust, proportionate and effective regulatory framework for *Prescribed NPOs*
- New supervisory regime for Prescribed NPOs (1 January 2023)
- Continued outreach / engagement / training
- Dedicated supervisory contact within the JFSC
- Supervisory examinations underway
- MoU and close collaboration between JFSC and the Office of the Charity Commissioner



What can you do to mitigate terrorist financing risk?

Remain vigilant and inquisitive

Specific actions that will help



- *Sign up to the Government and JFSC sanction email alerts (new requirement 1 July 2023)*
- Familiarise yourself with:
 - All NRAs - do they apply to your business and sector?
 - Legal requirements (e.g. Terrorism Law 2002, Sanctions Law 2019, MLO 2008, POCL 1999)
 - AML/CFT/CPF Handbook Codes of Practice – updates 1 July 2023.
- Comply with preventative measures, e.g.
 - Internal/external sanctions breaches reporting compliance + SAR procedures
 - On-boarding, CDD and payment procedures
 - Business risk assessment (including TF/sanctions)
 - Sanctions screening, *not just persons on published sanctions lists but associated persons*
 - Compliance monitoring plan, testing results and reporting to the Board
 - Training procedures, incorporating typologies and red flags
- Utilise good practice and guidance (Appendix D2 AML/CFT/CPF Handbook, website contents etc.)
- Remain vigilant and inquisitive – on-going monitoring, horizon scanning etc.



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Update on Money Laundering National Risk Assessment (2023 ML NRA refresh)

Caroline Morgan
NRA Technical Lead



Scene setting

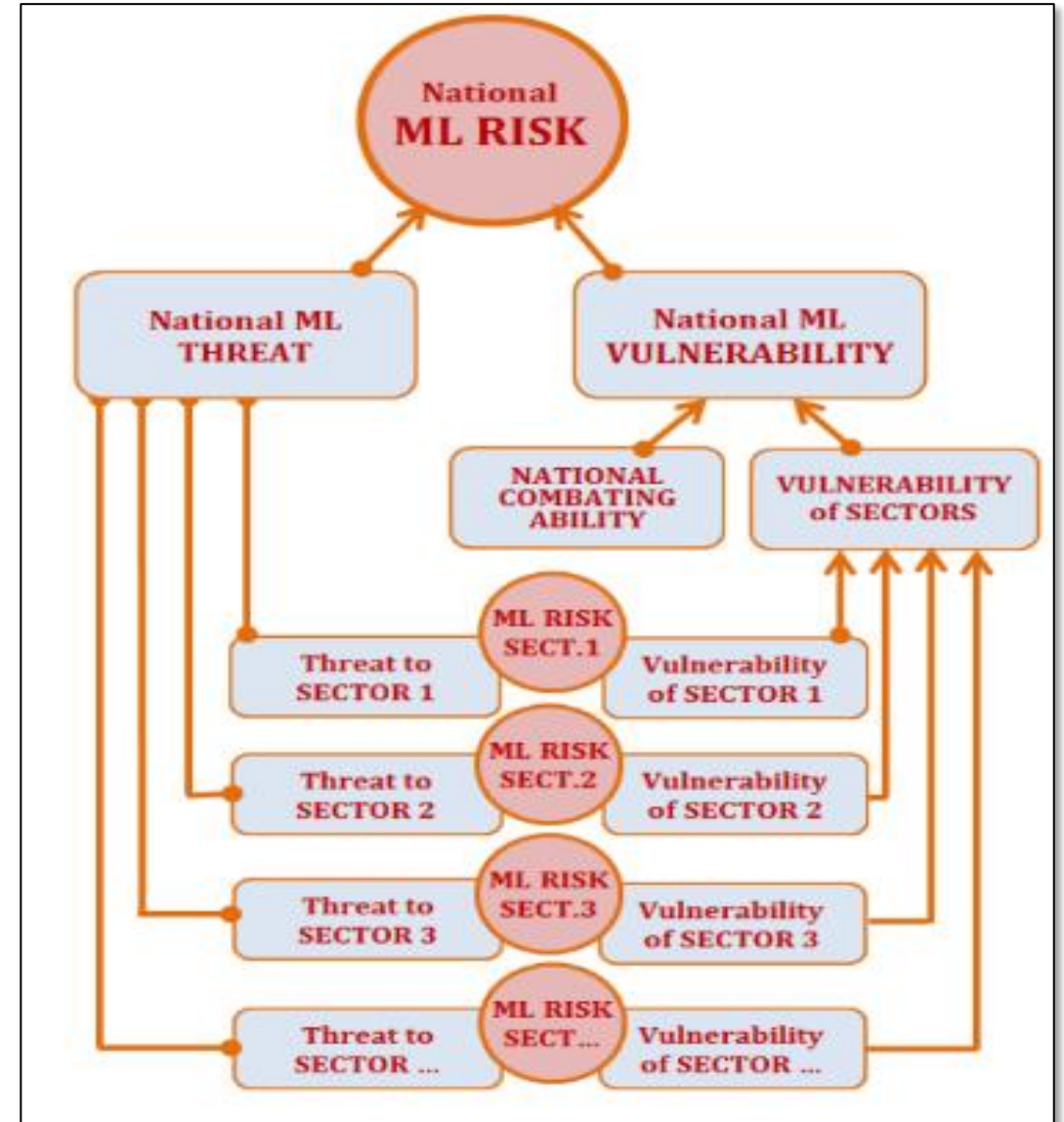
- This is one of the suite of NRAs being published in 2023
- This refresh seeks to answer some of the questions raised in 2020
- Detailing what is within scope of this refresh
- Work done since 2020
- Not a re-write what was done before, building on previous work
- Used MONEYVAL submissions for the refresh
- Ensures consistency and one central version
- Continuing to utilise the World Bank Methodology



Threats and vulnerabilities

- National threats updated with support of Royal United Services Institute* and agencies
- 22 national vulnerabilities reviewed and updated

* World leading think tank on illicit finance and emerging threat matters





Refresh of Four Sectors

- TCSP/ Legal/ Banking
- Considering for each sector:-
 - Overview
 - Threats
 - Vulnerabilities
- Using data from latest (2021) Supervisory Risk Data submissions
- Different approach for refreshing funds sector - timing
 - Inherent vulnerabilities
 - Control vulnerabilities

High-level data



				2021			
				TCB	Banking	Funds	Lawyers
Country Risk	Customers	Total	Jersey-Based Customers (% of Total)	25.0%	40.0%	6.6%	61.0%
		ML Higher Risk Customers	% of Customers from a higher risk jurisdiction for ML (Appendix D2)	13.3%	13.3%	17.3%	5.7%
Customer Risk	Customer Risk Ratings		Higher Risk Customers as a % of all Customers	31.0%	4.9%	3.2%	7.1%
	PEP Connections	All PEPs	PEPs as % of all Customers	14.8%	1.0%	7.0%	5.7%
		Higher Risk ML PEPs	PEPs as % of all Customers	4.6%	0.5%	3.4%	2.2%
<i>Funds is sum of Public Funds, JPF and Unregulated Funds.</i>							



Next Steps

Public bodies

- Finalise the remaining conversations with industry representatives and public bodies
- To date, no unexpected new threats / new vulnerabilities / control issues coming out, though there are known issues and actions which will need to be taken forward
- Aim is to publish in June

Industry

- On publication of each NRA or refresh, FIs and DNFBPs update BRAs
- So please start planning now
- Ideally review the BRA with your Board ahead of MONEYVAL



Fireside chat



- Earlier on you said there was a suite of NRAs including the ML refresh, please remind us what NRAs should industry expect to see in the next few weeks?
- What should industry do on receipt of this or the other NRAs?
- You did sector videos last time, which people said were very helpful. Will you do something similar again?
- If anyone missed this update, how can they find out what was said?
- I know you wanted to thank those who contributed to this refresh, many of whom are with us today. Would you like to say a few words?



Thank you



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Next Event – 15 June 2023

On-site preparation update
Setting out the timetable for 2023/24
The view from the Isle of Man

J'littons contre lé crînme finnancyi.

Ensembl'ye