Communiqué 3   25 October 2018

National Risk Assessment of Money Laundering and Terrorist Financing

1   Overview

1.1   In October 2017, Jersey's Financial Crime Strategy Group issued a statement concerning the Island's intention to conduct a national assessment of money laundering (ML) and terrorist financing (TF) risk (NRA)[1]. This was followed by a second communiqué in March 2018[2].

1.2   Since March 2018, the NRA has been officially launched at a three-day workshop in May. This was attended by approximately 80 public and private sector representatives and provided training on the use of the World Bank tool which will be used to undertake the NRA. The Jersey Financial Services Commission (JFSC) has also completed its collection of Phase I data for AML/CFT risk-based supervision. This data has been aggregated and made available to the various NRA teams (see section 6 below). As would be expected for a project of this size, a Government project management framework has also been put in place.

1.3   The NRA process, which will lead to a published report and action plan, will inform policy decision-making and identify any necessary remedial action such as legislative amendments or resource allocation. The collection of data from Industry is an absolutely critical part of this process such that decisions are fully supported by evidence. It is in all our interests to adopt a comprehensive, accurate, and up to date NRA report that objectively covers ML/TF risk and stands up to rigorous external analysis.

2   JFSC data collection

2.1   Phase II of the collection of data for AML/CFT risk-based supervision collects substantially more data on customers and key risk indicators by sector. Responding to feedback that it would be difficult to retrospectively extract and provide reliable data for 2016 and, to a lesser extent, 2017, the JFSC has not requested any data for 2016 and requested data for 2017 on a best endeavours basis in three steps.

2.2   Step 1 requested data from: accountants; casinos; estate agent; lawyers; lenders; managers of managed entities regarding their managed entities; persons carrying on money services business; and persons carrying on trust company business about non-profit organizations and private trust companies. Collection of Step 1 data concluded at the end of September 2018 and aggregated summary data will be made available to the various NRA teams before the end of October 2018.

2.3   Step 2 requests data from deposit-takers and persons carrying on investment business. All relevant entities have been requested to provide data to the JFSC by 31 October 2018 and aggregated summary data will be made available to the various NRA teams by 21 November 2018. The JFSC has published guidance on its website here to help with this step of the data collection exercise.

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[1]   Communiqué 1 - national risk assessment of ML and TF - 3 October 2017

[2]   Communique 2 – national risk assessment of ML and TF – 7 March 2018

2.4 Deposit-takers and persons carrying on money services business will not be requested to provide wire transfer data for 2017. Instead, reliance will be placed on data collected from a number of deposit-takers ahead of the World Bank Workshop in May.

2.5 Step 3 requests data from persons carrying on trust company business (excluding natural persons carrying on a single class of trust company business), persons carrying on fund services business and funds (public, private and unregulated). All relevant entities have been requested to provide data to the JFSC by 16 November 2018 and aggregated summary data will be made available to the various NRA teams by 7 December 2018. The JFSC has published guidance on its website here to help with this step of the data collection exercise.

2.6 The JFSC will also collect data for 2018 in the first quarter of 2019. It is expected that broadly the same data will be collected using spreadsheets delivered through the JFSC portal.

3 Private sector survey

3.1 As anticipated by Communiqué 1, Industry has been requested to provide additional input into the NRA through a Government survey. This survey is one of the key sources of data for the NRA and was launched at the end of September 2018. Data is being collected online using the following link: https://www.surveygizmo.eu/s3/90102197/Finance-Sector-Survey-AML-CFT. **The survey is expected to close on 31 October 2018.**

3.2 The type of data that will be collected in the Government survey is quite different to that being collected by the JFSC under Phase II of the collection of data for AML/CFT risk-based supervision. Whereas the focus of the latter is on the collection of statistical data, the Government survey will collect additional qualitative data, including:

3.2.1 Information on how measures to prevent ML/TF are applied – integrity of staff, knowledge and training, compliance, reporting, and application of CDD measures;

3.2.2 Views on how the JFSC and law enforcement agencies administer AML/CFT legislation; and

3.2.3 Views on ML/TF threats and vulnerabilities.

3.3 **It is important that we obtain responses to the survey from as many entities as possible. The more responses that we receive, the greater the level of statistical reliability that can be placed on the survey findings and the greater the body of 'evidence' that will be available to support our conclusions in the NRA report.**

3.4 We hope (and would actively encourage) that different people (except in the very smallest of organisations) will be involved in responding to the survey and Phase II of the collection of data for AML/CFT risk-based supervision, rather than this important task being assigned to the same person. Moreover, we hope that senior staff within respondents will be able to complete the survey collectively.

4 Survey of consulting and legal firms

4.1 This survey is aimed at Jersey-resident consulting and law firms that are actively engaged in the following types of AML/CFT work:

4.1.1 Assisting clients to prepare for supervisory examinations or to resolve issues raised during such examinations;

4.1.2 Assessing systems and controls, policies and procedures that are in place and suggesting changes;

4.1.3   Customer due diligence or other remediation work; and

4.1.4   Detailed file reviews - in order to assist in the resolution of particular issues.

4.2   The purpose of this survey is to seek views - based on client work- on:

4.2.1   The extent to which ML/TF risk is managed and effective corporate governance arrangements are in place;

4.2.2   Matters that clients struggle, or request assistance, with and why.

4.2.3   How the JFSC and law enforcement agencies administer AML/CFT legislation; and

4.2.4   ML/TF threats and vulnerabilities.

4.3   Consulting and law firms have been invited to respond to this survey in writing by 12 November 2018. Wherever possible, they have been asked to draw out any differences that are seen between clients in different sectors and clients of different sizes, and will not provide information about particular clients.

4.4   Each consulting and law firm will also be given an opportunity to attend a meeting with a panel of representatives drawn from the NRA teams on 19 November 2018, allowing information to be presented orally.

5   Survey of international cooperation

5.1   The NRA also relies on input from competent authorities outside Jersey which will be asked to provide information on their international cooperation experience with the Law Officers' Department, Joint Financial Crimes Unit (JFCU) and JFSC. Information provided will allow the NRA to:

5.1.1   Assess the extent to which Jersey actively and effectively renders and requests international cooperation in relation to ML/TF, associated predicate offences, related financial crime investigations and prosecutions and asset forfeiture; and

5.1.2   Take account of information provided on general or specific ML/TF risks present in Jersey - observed from outside the jurisdiction.

5.2   The survey is based on a template used by the Financial Action Task Force (FATF) and FATF-Style Regional Bodies ahead of mutual evaluations in order to understand how the assessed country engages in international cooperation.

6   NRA teams

6.1   Following the departure of George Pearmain at the end of July 2018[3], Jamie Biddle has taken over leadership of the ML national vulnerability team. Jamie will be devoting time each month to working with the team, but will otherwise continue to work for Oben Regulatory.

6.2   Soon after publication of Communiqué 2, leadership of the TCSP ML vulnerability team was transferred to Joanne Doyle, Senior Manager, Supervision, JFSC and it was agreed that Sam Brown, Senior Legal Adviser, Law Officers' Department should co-chair the TF risk team.

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[3] George is now working for the FATF in Paris.

6.3 Team leaders are:

ML threat	DI Louise Clayson, JFCU - FIU
National ML vulnerability	Jamie Biddle, Oben Regulatory
Banking ML vulnerability	Ellie Sharples, JFSC
Securities ML vulnerability (investment business and fund services business)	David Porter and Kate Berry, JFSC
TCB ML vulnerabilities	Joanne Doyle, JFSC
Other FI and DNFBP ML vulnerabilities	Melanie Hoey, JFSC
TF risk	DI Lawrence Courtness, JFCU – Operations and Sam Brown, Law Officers' Department

6.4 NRA teams are made up of representatives of the JFSC, JFCU, Government and private sector. In addition, the Jersey Gambling Commission is considering vulnerability in the gambling sector. All members of these teams have committed a significant amount of time to the NRA project.

7 TF risk

7.1 As reported in March 2018, there will be particular challenges quantifying the TF risk that is present in Jersey on the basis that there have been no TF investigations and few SARs in this area. Jersey has worked closely with Guernsey, Monaco and a number of other smaller jurisdictions in Europe and further afield to produce a guidance paper on TF threats and vulnerabilities in international financial centres (IFCs).

7.2 The guidance has been prepared on the basis that the primary TF risk for most IFCs is likely to arise from their use as transit jurisdictions for the movement of funds linked to terrorist activity outside the jurisdiction, or from their involvement in the management of foreign funds or businesses that are linked to such activity.

7.3 The document has been welcomed and endorsed by MONEYVAL, though it is still subject to certain changes and comments before publication.

8 Continued outreach

8.1 Representatives from the JFSC and Government delivered two NRA updates on 19 September 2018, focusing in particular on the private sector survey. In total, the updates, which also outlined proposed changes to Jersey's legislative framework in order to fully implement the FATF's 2012 Recommendations, were attended by around 350 people.

8.2 A series of briefings to NRA team members is underway. The first briefing on 19 October 2018 considered the format of Jersey's NRA report. Future briefings will cover: (i) sectoral typologies; (ii) credible external reports and assessments that refer, or are relevant, to Jersey; (iii) media coverage; and (iv) mutual evaluation reviews of the Isle of Man and United Kingdom.

8.3 Other outreach opportunities will arise and utilised wherever possible. For example, the Jersey International Business School Risk & Compliance Seminar Series includes a one hour NRA update on 7 February 2019.

9   Timelines

9.1   In line with the current timeframe, it is now not expected to provide a first draft of the NRA report to the World Bank until March 2019 at the earliest.

25 October 2018.