Communiqué 4 – October 2019

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 risk assessment of money laundering (ML) and terrorist financing (TF) (NRA)[1]. This was followed by communiqués in March and October 2018.

1.2   Since October 2018, NRA teams have continued to meet to assess ML and TF threats and vulnerabilities. The majority of that work is now complete, and drafts of core chapters and sections of the NRA report have been sent to the World Bank to review. The main purpose of this review is to consider whether the World Bank's assessment tool has been used effectively.

1.3   The NRA process, which will lead to a report and action plan, will inform policy decision-making and identify any necessary remedial action such as legislative amendments or resource allocation.

2   Data collection

2.1   The Jersey Financial Services Commission (JFSC) has collected data for 2017 and 2018 from persons supervised for AML/CFT purposes (supervised persons) that will inform its AML/CFT risk-based supervision. Data for 2017 has been aggregated and fed into assessments of ML and TF threats and vulnerabilities. Data for 2018 has been aggregated and will be used to update existing assessments.

2.2   The JFSC will announce the details of future data collection exercises in due course.

2.3   The collection of data by the JFSC will ensure that conclusions in the NRA (and subsequent updates) are evidence-based and the JFSC can build a track record of effective risk-based supervision ahead of Jersey's next mutual evaluation by MONEYVAL in 2021/2022.

3   Private sector surveys

3.1   In the final quarter of 2018, the Government of Jersey undertook a survey of supervised persons.

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

3.2 The type of data collected in the survey was different to that collected by the JFSC to support AML/CFT risk-based supervision. Whereas the focus of the latter is on the collection of statistical data, the Government survey collected 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 The overall response rate was around one-third of licence-holders, which is in line with expectations for a survey of this type. Perhaps unsurprisingly, there was a lower response rate to the survey by sole practitioners (across the board).

3.4 A survey of consulting and legal firms was also conducted in the last quarter of 2018.

3.5 A high-level summary of both survey results has been presented to many of the Island's trade bodies and associations.

4 Survey of international cooperation

4.1 The NRA also relies on input from competent authorities outside Jersey which were asked to provide information on their international cooperation experience with the Law Officers' Department (LOD), Joint Financial Crimes Unit (JFCU) and JFSC. Unfortunately, there was a poor response to requests for outside input.

5 NRA teams

5.1 Having led the NRA project since 2017 on secondment to the Government from the JFSC, Andrew Le Brun has now left to take on a new role at MONEYVAL in Strasbourg. John Everett, formerly Deputy Director General of the JFSC, has been appointed to continue the NRA work as Director of Financial Crime Strategy in the Government.

5.2 NRA teams are predominantly made up of representatives of the JFSC, JFCU, LOD, Government of Jersey and private sector. All members of these teams have committed a significant amount of time to the NRA project, and the Government appreciates their ongoing contribution.

6 Status of NRA report

6.1 As noted above, core chapters and sections of the report have been sent to the World Bank. Comments on the various chapters and sections provided to the World Bank are expected just ahead of the second World Bank workshop. The World Bank is contracted to provide feedback on the use of its NRA tool. It is not responsible for the identification of specific risks in Jersey or drafting the NRA report and action plan.

6.2   Several other sections of the report need to be prepared and this work will be carried out before the end of the year. However, action is already being taken to address some risks, in particular, increases in Government of Jersey capacity to tackle financial crime and increased supervisory focus on implementation of AML/CFT preventative measures.

6.3   Sectoral assessments of ML vulnerability will be updated to reflect aggregated 2018 data collected by the JFSC and feedback from the World Bank. As expected, some of the data collected for 2018 has highlighted errors and omissions in data used for the preceding year.

7   Second World Bank workshop

7.1   Planning has started for the second World Bank workshop, and an agenda will be circulated shortly to participants.

7.2   The second workshop will take place from 25 to 27 November and will involve members of all the NRA teams, including the private sector. The objectives of the second workshop are to:

      7.2.1   Consider World Bank comments on use of its NRA tool;

      7.2.2   Review and discuss team work, to further clarify, refine and recalibrate findings; and

      7.2.3   Promote the design of a risk-based action plan.

8   Next steps post workshop

8.1   Draft chapters and sections will be revised to take account of World Bank comments and workshop discussions, as well as 2018 data. This work is expected to be ongoing to at least the end of this year.

8.2   Once individual draft chapters and sections have been "locked-down", they will be used to create a final NRA report and action plan, of around 150 pages in length, including the involvement of an external AML/CFT expert. We currently expect publication of the report in Q2 2020.

October 2019.