

SIGNED MINUTES

MINUTES OF THE MEETING OF THE AML/CFT ADVISORY GROUP HELD AT 2.00pm TUESDAY 28 MARCH 2017 IN THE KING ORRY ROOM, CABINET OFFICE, ISLE OF MAN GOVERNMENT

Present: Karen Ramsay, Head of AML/CFT Policy Office, Cabinet Office (Chair)
Paul Heckles, AML/CFT Advisor, Cabinet Office
Joanne Hetherington, AML/CFT Policy Manager, Cabinet Office (Minutes)
Ray Todd, Manager, Legal & Policy, Customs & Excise Division
Lindsey Bermingham, Director, Financial Intelligence Unit (FIU)
Iain MacMillan, Operations Manager, FIU
Helen Ault, Deputy Director AML/CFT, GSC
David Griffin, Director of Enforcement, IoM Financial Services Authority (IoMFSA)
Mark England, Risk & Compliance Manager, IoM Post Office
Sandra Skuszka, Chair, ACCA
John Atherton, MLRO, ACSP
Dougie Elliott, Chair, APSP
Jon Barwood, Committee Member, FPIBA
Ayyaz Allahwala, Head of Compliance Committee, IoMBA; Institute of Directors
Sinead O'Connor, Representative, IoMCA
Bill Mummery, Director IoM Chamber & Vice Chair ICT Committee
Shane Magee, IoM Estate Agents
Jon Whiting, Representative, IoMSCA
Paul Clague, IoM Wealth & Funds Association
Gillian Marples, MIA

Apologies: Karen Badgerow, Chief Executive Officer, IoMFSA
Ashley Whyte, Manager, AML Unit, IoMFSA
Julian Lalor-Smith, Director of Administration & Legislation, Dept. of Home Affairs
Mark Denton, Chair, ACSP
Graeme Snape, Chair, AICP
Phil O'Shea, Chair of Risk & Compliance Committee, IoMBA; Institute of Directors
Joe Hughes, Director, MeGA

013/17 MINUTES OF AML/CFT ADVISORY GROUP MEETING HELD ON 17 JANUARY 2017

Having been previously circulated, the minutes of the AML/CFT Advisory Group ("the Group") meeting held on 17 January 2017 were agreed and signed by the Chair.

014/17 MATTERS ARISING FROM THE MINUTES

a) Beneficial Ownership Bill 2017

Minute 005/17

The Group noted that the Beneficial Ownership Bill was on the Legislative Council Order Paper of 28 March 2017 for Second Reading and Clauses. An amendment had been tabled by Mr Coleman MLC in respect of Clause 6 and subject to the suspension of Standing Orders, the remaining stages of the Bill would be considered at the sitting. Subject to the appropriate approvals and receiving Royal Assent, it was anticipated that the Beneficial Ownership Act 2017 would be in place by the end of June 2017.

SIGNED MINUTES

The Beneficial Ownership Guidance had been drafted by the IoM Financial Services Authority (IoMFSA) and sent to the Treasury and the Association of Corporate Service Providers for consideration and comment. It was noted that the IoMFSA was recruiting a Beneficial Ownership Manager to be appointed on a two-year contract.

b) OECD Peer Review 2017

Minute 009/17

Questionnaires received as part of the OECD Peer Review 2017 had been completed and submitted by the Income Tax Division Treasury. The OECD onsite visit was scheduled to take place from 26-28 April 2017.

c) Financial Intelligence Unit

Minute 010/17

It was noted that in response to a previous request from the Group, an automated warning message would now be issued to registered Themis users before their system password expired. Members of the Group were asked to report any issues to the FIU.

The FIU advised that 75% of Designated Non-Financial Businesses and Professions had not registered on the Themis online reporting system. Following discussion it was **agreed** that a joint mailshot would be undertaken by the IoMFSA and FIU, reminding businesses to register with Themis.

**ACTION
FIU & IOMFSA**

Customs advised that amendments were being made to the Customs and Excise Act 1993 (via the Customs and Excise Bill 2017) which will allow industry to report suspected international sanctions breaches to the FIU. These changes would facilitate further progress in making the FIU the central depository for intelligence, and simplify the process by which industry submits its reports.

015/17 REPORTING OF SARS – GUIDANCE NOTE

Paper 001/17

The Group considered an information paper submitted by the FIU, which provided a Guidance Note to industry users of Themis, in respect of populating subject fields on the system.

It was noted that the Themis online reporting system was the prescribed method of reporting suspicious activity under Part 3 of the Proceeds of Crime Act 2008. It was further noted that there has been some confusion within industry as to who should be named and how much information about them should be included in a Suspicious Activity Report (SAR).

The Guidance Note explained that the system contains a number of fields, some of which are mandatory, and others optional. The text fields should provide a chronological account of the relationship referred to and the subsequent event(s) or information that had led to the suspicion of money laundering or terrorist financing. There was no requirement to include the names or details of those persons within the disclosing entity who have assisted in preparing the suspicious activity report, unless their role in gathering information was significant in which case they should be

SIGNED MINUTES

referred to as a third party.

Members of the Group were invited to consider the Guidance Note in more detail and submit any comments to the FIU's Operations Manager.

016/17 MONEYVAL DELIVERY PLAN

The Group noted that the AML/CFT Policy Office was managing a MONEYVAL Delivery Plan on behalf of the Financial Crime Strategic Board, chaired by the Chief Secretary.

The Delivery Plan contains outstanding actions arising from the MONEYVAL Mutual Evaluation Report of the Isle of Man, with a particular focus on the 16 priority actions contained within the report.

017/17 MONEYVAL INDUSTRY BRIEFINGS

Regulators held two MONEYVAL industry briefings as follows:

- Gambling Supervision Commission, (iMuseum; 23 February 2017)
- IoM Financial Services Authority (Villa Marina; 20 March 2017)

Each briefing included details of the MONEYVAL assessment process including the on-site visit from evaluators. Members of industry were also briefed on the findings of the Mutual Evaluation Report (MER) and in particular the effectiveness and technical ratings, the recommended actions arising from the MER and the enhanced follow-up process.

The IoMFSA briefing also included a number of breakout sessions as follows:

- Banking
- Funds and investment business
- Insurance and pensions
- Designated Non-Financial Businesses and Professions
- Fiduciary Services

During the banking and funds breakout sessions, the IoMFSA had advised that 'Financial Flows' and 'Acting On Behalf Of' working groups would be established, and invited members of industry to join these groups.

018/17 ESTABLISHMENT OF IOMFSA WORKING GROUPS

The Group further discussed the IoMFSA's planned establishment of the 'Financial Flows' and 'Acting On Behalf Of' working groups.

It was noted that following the IoMFSA's MONEYVAL briefing, a number of individuals from the funds industry had agreed to take part in the 'Acting On Behalf Of' working group. It was further noted that the IoMFSA needed further industry representation on the 'Financial Flows' working group, and an invitation was issued to join the working group, or nominate colleagues accordingly.

019/17 UK JOINT MONEY LAUNDERING STEERING GROUP – AMENDMENTS TO REGULATIONS & GUIDANCE

SIGNED MINUTES

The UK Joint Money Laundering Steering Group (JMLSG) had published proposed revisions to Part I of its guidance on the prevention of money laundering and the financing of terrorism for the UK financial services industry.

The JMLSG is made up of the leading UK trade associations in the financial services industry. The JMLSG aims to promote good practice in countering money laundering and to give practical assistance in interpreting the UK Money Laundering Regulations which is primarily achieved by the publication of industry Guidance.

The proposed revisions reflect the provisions of the proposed new Money Laundering Regulations published by HM Treasury on 15 March 2017. A consultation on these proposals is underway, and the closing date for submissions is 28 April 2017. The Group was encouraged to review the proposed changes via the JMLSG website.

The Group noted that the UK was seeking to make these revisions in advance of its FATF evaluation which is due to begin later in 2017. A number of consultations were likely to be undertaken by the UK in the coming months. It was also noted that the UK's second National Risk Assessment was due to be published in late summer 2017.

020/17 ANY OTHER BUSINESS

a) Customs and Excise Bill 2017

The Group noted that a public consultation on the Customs and Excise Bill 2017 had closed and two responses had been received. The Bill was due to be introduced into the House of Keys for its First Reading although a date had not been set.

b) Proliferation and Proliferation Financing Policy Protocol

The Group was advised that the Customs and Excise Division, Treasury, was developing a 'Proliferation & Proliferation Financing Risk Policy Protocol'. It was noted that subject to the necessary approvals, the protocol would be published in addition to being circulated to all public servants and office holders, due to its importance.

The protocol will include clear definitions of proliferation and proliferation financing, and information on who should be contacted in the event of there being any evidence or suspicions about activity connected to proliferation or proliferation financing.

c) Customs and Excise communications

The Group discussed the effectiveness of communications received from the Customs and Excise Division by industry, and how that compared to the IoMFA and GSC. Following discussion, it was **agreed** that a meeting would be held between Customs and the regulators to discuss ways to improve communications from Customs to industry. In addition, members of the Group were invited to sign up to Customs' RSS feed, which would ensure that they would automatically receive all news releases.

**ACTION
Customs**

SIGNED MINUTES

d) NRA review

Clarification was sought on when the IOM would be undertaking a review of the National Risk Assessment (NRA) which was published in March 2016.

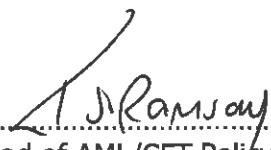
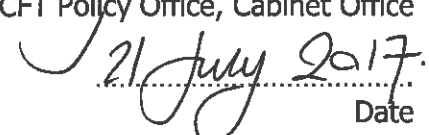
The Chair advised that in accordance with recommendations contained in the MONEYVAL Mutual Evaluation Report, a limited review of the NRA would be undertaken in 2017 to include lawyers and registered legal practitioners; estate agents; accountants; non-profit organisations and the virtual currency sector. Data would be gathered on these sectors in late summer.

021/17 DATE OF NEXT MEETING

10.30am, Tuesday 20 June 2017

[Following the meeting, the date was changed to 21 July 2017].

The meeting closed at 3.00pm


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Head of AML/CFT Policy Office, Cabinet Office

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Date

