

## SIGNED MINUTES

### MINUTES OF THE MEETING OF THE AML/CFT ADVISORY GROUP HELD AT 10:00AM, TUESDAY 03 MARCH 2020 KING ORRY ROOM, CABINET OFFICE, GOVERNMENT OFFICES, DOUGLAS

**Present:** Paul Heckles, AML/CFT Advisor, Cabinet Office (Chair)  
Ashley Whyte, Manager, IOMFSA Enforcement AML/CFT  
Graeme Snape, Chair, AICP  
Sinead O'Connor, Representative, IOMCA  
Jed Bibby, Head of ECU  
Bill Mummery, Director, Chamber of Commerce  
Julian Lalor-Smith, Deputy Chief Executive, DHA  
Dani Kelly, Chair Sub-Committee, IOMBA  
Jon Whiting, Representative, IOMSCA & MIA  
Lucie Kennedy, Senior Officer, Legislation & Policy, Customs & Excise  
Susan Preskey, Committee Member, IOD  
Katherine Johnson, Acting Chair, IOMWFSA  
Jon Barwood, Committee Member, FPIBA  
Chris Wilson, CoinCorner  
Charles Garside, Chair, RICS, IOM Estate Agents Association  
Helen Ault, Director, Licensing & Compliance GSC  
Iain MacMillan, Operations Manager, FIU  
Dougie Elliott, Chair, APSP  
Juan Moore, CEO IOM Law Society  
Sean Gavin, AML/CFT Policy Manager, Cabinet Office (Minutes)

**Apologies:** Karen Ramsay, Head of AML/CFT Policy, Cabinet Office  
John Atherton, Chair ACSP  
Nathan Holden, Committee Member, CISI  
Phil Hunkin, Director, FIU  
David Griffin, Director of Enforcement, IOMFSA  
Michael Crowe, CEO, Finance Isle of Man  
Jenny Hedges, SMP, eGaming  
Claire Cope, Chair, MIA Compliance

#### 001/20 MINUTES OF AML/CFT ADVISORY GROUP MEETING HELD ON 28 NOVEMBER 2019

Having been previously circulated, the minutes of the AML/CFT Advisory Group ("the Group") meeting held on 28 November 2019 were agreed and signed by the Chair.

#### 002/20 MATTERS ARISING FROM THE MINUTES

##### ***Information on MONEYVAL 2<sup>nd</sup> Enhanced Follow-up Report 026/19***

Mr Heckles advised that the 3<sup>rd</sup> Enhanced Follow-up Report was submitted to MONEYVAL on the 31 January 2020. The report focusses on (i) the actions taken by the IoM to address the only remaining outstanding FATF Recommendation which is negatively marked, 'R.23 DNFBP: Other Measures' and (ii) the reassessment of 'R15 New Technologies', following a number of changes to the recommendation that relate to emerging risks, such as cryptocurrencies.

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### ***National Risk Assessment 2019***

029/19

Mr Heckles advised that the National Risk Assessment of the IoM was published in January 2020. It was confirmed that the concerns raised by Mr Mummery and Ms Johnson at the previous AML/CFT Advisory group meeting have been addressed.

### ***Upcoming MONEYVAL Plenary***

031/19

Mr Heckles advised that the Mutual Evaluation Report (MER) of Cyprus and Gibraltar were discussed at the December 2019 MONEYVAL Plenary. It was noted that Gibraltar have been placed at risk of referral to the FATF's International Co-operation Review Group (ICRG), as a result of their mutual evaluation revealing a significant number of key deficiencies.

### ***MONEYVAL Review Report***

022/19

Mr Heckles explained the concept of the MONEYVAL Review Report to the Group, as there has been some confusion regarding its purpose. Due to the uncertainty around MONEYVAL's Follow-up Assessment (FUA) process, the MONEYVAL Review Report provides a review of the work that has been undertaken to address the numerous recommended actions identified in the IoM's 2016 MONEYVAL MER. Although this is not an effectiveness re-evaluation, the CO considers it a valuable exercise, as the report can be used positively by both government and industry to highlight the progress made in the 4 years following the publication of the MER and also, to provide an update regarding our most up to date position.

## **003/20 AML/CFT ADVISORY GROUP ACTIONS LOG**

Mrs Whyte provided an update on behalf of the IOMFSA, as the lead authority for all remaining items:

#1) There was nothing to report in respect of the AOBO working group as the IOMFSA were awaiting further international guidance.

#3) A Digital ID working group has been established and is attended by representatives from all IOMFSA sectors, to discuss the use of Digital ID verification and whether there is sufficient guidance on electronic CDD in the handbook. As the levels of technological resources utilised across the different sectors vary, the IOMFSA has also met with individual sectors. Mrs Whyte added that should anyone wish to attend the working group going forward, they should contact her.

#4) A meeting was held between Ms O'Connor and the IOMFSA regarding an issue raised on behalf of the IOMCA. No further action is required and the action is now considered as completed.

#5) The IOMFSA anticipates having the complete AML/CFT Handbook published in Q2 of this year. The timetable for issuing the guidance has been stretched slightly following the loss of a number of key staff however, the guidance remains the main priority of the IOMFSA and any feedback from industry is welcome.

**004/20 WILDLIFE TRAFFICKING**

Mr Heckles initiated a discussion on wildlife trafficking; highlighting that illegal wildlife trade is much broader than the acts of poaching, the trafficking of animal parts or illegal logging of rainforests. Illegal wildlife trade presents considerable risk to the financial services industry, with an estimated 20 billion Dollars generated every year, globally. Illegal wildlife trade is considered a predicate offence in 73% of the world's countries however very few capture this as part of their National Risk Assessment.

Mr Heckles explained that the FATF and its president, are driving a new initiative to tackle illicit finance from illegal wildlife trade and have assembled a new Wildlife Taskforce. Detailed guidance is expected to be published later this year that will highlight red flag indicators and help identify hub countries and industries to be considered by financial institutions when undertaking their own risk assessments. The FATF are encouraging jurisdictions to do more than prosecute the predicate offence; to investigate potential links to transnational gangs and terrorist organisations by conducting parallel investigations across law enforcement and the financial services industry. Mr Heckles added that there is not an abundance of comprehensive reference material available however recommended that the group review the APG UNODC Wildlife Crime Report. **The Cabinet Office (CO) circulated the APG UNODC Wildlife Crime Report to members, following the meeting.**

Ms Kelly asked whether the IoM FIU has received anything in respect of potential illegal wild life offences and if so, could they circulate some guidance to industry. Mr MacMillan confirmed that the FIU has received a few STRs on the subject but not enough with detailed content which could provide any direction to industry.

Mr Snape asked where the political will on the Island was to promote this initiative; raising the point that most businesses on the Islands would find it difficult to identify illicit activity generated through illegal wildlife trade. Mr Heckles advised that the IoM has made a political commitment to meet evolving international standards and that the IoM for the moment must observe how this develops globally and what approach the FATF will employ.

**005/20 LIST C COUNTRIES**

Mr Heckles advised that following discussions between the Regulators and their license holders, it was identified that industry favoured retaining a list of equivalent jurisdictions (List C), despite most countries having moved away from using such lists. In 2019, the Cabinet Office agreed to maintain List C and develop, in consultation with the Regulators, a robust methodology that would stand up to scrutiny during a MONEYVAL assessment. Following the publication of the new List C in September 2019, the Cabinet Office has received numerous enquiries regarding the removal of certain countries; namely the US, Australia and Switzerland.

Mr Heckles explained that IoM businesses should be conducting their own comprehensive risk assessments and that List C only represents one component of that assessment.

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Ms Johnson asked whether List C was considered guidance and what the process was for communicating changes to the list. Mrs Whyte advised that List C was required by the AML/CFT Code, for application of concessions and that List C itself was not guidance. Mrs Whyte added that the IOMFSA issues a press release on their website, confirming the changes to List C and that any material items are communicated by way of mail merge.

### 006/20 NRA 2020 – GUERNSEY & IOM METHODOLOGY

Mr Heckles advised that the Cabinet Office has received a query regarding the differences between certain industry sector ratings of the IoM NRA 2020 and that of the Guernsey 2020 NRA and whether a comparison has been undertaken. Mr Heckles explained that the NRA model used by Guernsey was developed by the International Monetary Fund (IMF), whereas the IoM has used a model provided by the World Bank. The IMF is a statistical based model and applies nine levels of risk rating whereas the World Bank uses only five levels. Based on the different models and approaches, as well as the differences in activities, size of sectors, etc., direct comparison cannot realistically be achieved.

Mr Whiting queried how a business, which operates in both jurisdictions, could effectively calculate and apply its risk assessment process, when the two are rated differently. Mr Heckles advised the NRA assesses sector risk and that it is a requirement for each jurisdiction to assess its own jurisdictional risk, albeit that it should be informed by relevant information. Ms O'Connor added that it is not about taking the exact risk as stated in the NRA, but considering how that applies to your business specifically and documenting that.

### 007/20 INDUSTRY ROUNDTABLE

- a) Mr Moore advised that a consultation has recently been launched which forms part of a wider 'Legal Aid Review' project, led by HM Attorney General. The project is being conducted in two parts to reflect both types of Legal Aid available in the Island, Civil and Criminal. The purpose of this consultation is to seek people's views on the Island's current Civil Legal Aid provision, and explore the feasibility of alternative approaches in the future.
- b) Mr Wilson advised that in June 2019, the FATF updated its guidance, with limited industry collaboration, to explicitly state that virtual asset service providers (VASPs), must share information in cryptocurrency transactions above a certain threshold. FATF intends to review progress on 'Travel Rule' solutions at its June 2020 plenary meeting, however, as it stands, there is currently no technical solution to enable compliance with this rule. Mr Wilson added that he is a member of the Joint Working Group on interVASP Messaging Standards that aims to develop a universal common language for messaging between VASPs, ready for industry adoption by May 2020.
- c) Ms Ault advised that the GSC is still working on guidance for the AML/CFT (Gambling) Code 2019. It is the intention on the GSC to publish the guidance as one complete document that captures everything. Once the document is complete, the GSC will consult with interested parties before it is published.

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**DATE OF NEXT MEETING**

The date of the next meeting is scheduled for 16 June 2020.

The meeting ended at 11.15am

*K Ramsay*

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Karen Ramsay, Head of AML/CFT Policy, Cabinet Office (Chair)

*16 June 2020*

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Date

