AML/CFT Regulations & Guidance Notes – 2008 Consultation Comment

Regulation (R) or Guidance Notes (GN)	Ref:	Comment	IPA Response / Action
GN	1.2(b)	Does “confirmation by the directors” mean at a formal Board Meeting or otherwise (e.g. individually or at other executive meetings where directors may be present).	A proposal for any deviation by class will need to be presented to, and approved by, the board of directors at a formal board meeting. In the event that ‘executive’ meetings are held between formal board meetings, then directors present at such meetings may approve any proposal for the purpose of expedience. However, the proposal must be put before the next board meeting for formal ratification and minuting.
R	2	The definition of ‘Introducer’ is different in the Regulation than in the Guidance Notes. Please clarify the applicable definition?	For the avoidance of doubt, and as a matter of consistency, paragraph 12 of the Guidance Notes has been updated to reflect the identical definition of “introducer” as set out in the Regulations.
R	7(2)	Please confirm whether reasonable measures to satisfy identity mean verifying identity?	It is assumed that reference here should be made to Regulation 7(3). An insurer can only “satisfy itself as to the identity of the Policyholder and/or Claimant” by meeting the verification requirements placed on it. Reasonable measures simply oblige the insurer to take whatever reasonable action as may be necessary to obtain such satisfaction.
R	7(5)	It appears that this section indicates if a payment out is more than £7,500 then irrespective of start date of contract you need to verify identity and original source of wealth and source of funds. This seems to impose a burden for early cases written before the Island had such detailed AM L requirements, and is directly contrary to Section 5.3 of the Guidance that would not require this for low risk cases.	Regulation 7(5) has been removed.
R	9	It is noted that verification requires obtaining satisfactory evidence of documents and information. However, terms such as CDD, evidence of identity and verification of identity are sometimes intermingled. It would be preferable to simplify use to possibly two terms e.g. “CDD” to cover identity, source of funds and	The heading of Regulation 9 has been changed to more accurately reflect customer due diligence requirements and similar changes have been made to Regulations 21(5) and 21(6).

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		KYC as a whole and "verification of identity" or "verification of information" used in all cases to cover receipt of satisfactory documentary evidence of identity/information.	
R	11	It would be helpful if these terms could be further defined. The assumption is such that terms relate to corporations and other formally constituted entities. We would suggest that the Guidance Notes (section 4) is updated to provide further clarity on the entities to which this definition applies and to indicate the level of detail needed to be considered satisfactory in satisfying legal status and nature of arrangement.	The Authority believes that appropriate clarification is provided within paragraphs 4.3 to 4.13 of the Guidance Notes and that these paragraphs provide the relevant detail in terms of specific requirements sufficient to satisfy legal status and, where relevant, the nature and purpose of the arrangement.
R	12	As Regulation, this paragraph currently provides no ability to take a risk-based approach or apply a deviation from the Guidance Notes on verification of identity of a life policy beneficiary. Although beneficiary is not a defined term it is used in sections of the Guidance Notes e.g. 4.18 Group Life Schemes and 4.13 Foundations. Trust beneficiaries are specifically excluded. For trusts, relevant information is provided within the Guidance Notes that would permit deviation on a case by case or class basis. As similar circumstances may arise under sections 4.13/4.18 mentioned above we would ask that a consistent direction be provided preferably for this section to be included in Guidance Notes.	While the Guidance Notes permit deviation from the standard levels of evidence set out in paragraph 4, such deviation provisions do not extend to permitting the removal of the need for an insurer to be satisfied as to the identity of a relevant person or body. Paragraph 1.2 sets out that deviation refers to the number and type of documents that may be required but it does not allow for an insurer to determine that no verification will be undertaken whatsoever. Consequently, any beneficiary must have their identity verified to the satisfaction of an insurer before any monies are paid away to them (paragraph 5.14 of the FATF Methodology also refers).
R	17(1)	A suggested amendment to wording for consideration is:	The wording of this Regulation has been amended to provide greater clarity while having due regard to paragraph 11.1 of the FATF

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		‘An Insurance Business must consider applying enhanced CDD to complex, unusually large transactions, or unusual patterns of transactions which have no apparent or visible economic or lawful purpose….’	Methodology.
R	18(1)	Suggested amendment “…..Beneficial Owner may change and/or additional information may come to the attention…..” Suggested alternative phrase from “…situation of a policy.” To “..consider the risk profile of a policy….”	In view of the comments made, and for the avoidance of doubt, the wording of this paragraph has been amended.
R	20	As this is such a significant change to the existing provisions, and will require an interrogation of all applicants, we believe a period over which this can be introduced would be beneficial. Especially as it is a mandatory requirement. Ideally we would like to see this brought in as a mandatory requirement no earlier than 31 December 2008, with the ability to introduce it as and when before that.	The Authority does not consider it appropriate to delay the implementation of a more robust PEP screening regime. Given the very limited feedback on this aspect and the requirements set out in paragraphs 6.1 to 6.5 of the FATF Methodology, we would prefer not to delay application of this aspect of the Regulations for a further 3 months. As we hope you will appreciate, the period between consultation in March and formal application of the Regulations in September will hopefully have provided sufficient time for procedural developments to have been considered and prepared in this respect, especially given the relatively similar requirements that have been in place for high risk PEP checking since March 2003.
R	24(1)	This states that Insurance Business must make enquiries whereas Section 6 of the Guidance Notes states that Insurance Business should make enquiries. Can this be made consistent?	For the avoidance of doubt, the term “should” has been amended to “must” where appropriate.
R	24(3)	As this requirement is open to risk profiling we would suggest that this would be better in the Guidance.	There appears to be some confusion in this area and the Authority is keen, therefore, to ensure that clarification is given. The requirement for an insurer to be satisfied with regard to the source of funds and source of wealth is not open to risk profiling

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			although it may, however, be waived or deferred strictly in accordance with Regulations 7(1) or 7(2). Deviation, as permitted in accordance with paragraph 1.2 of the Guidance Notes is applicable, as stated therein, to the standard verification requirements as set out in paragraph 4 of the Guidance Notes. Obligations binding on an insurer with regard to the source of funds and source of wealth, however, are set out in paragraph 6 of the Guidance Notes. In addition, the final paragraph of paragraph 1.2 of the Guidance Notes clearly requires an insurer to be satisfied with regard to the source of funds and source of wealth irrespective of whether or not deviation from paragraph 4 has been authorised.
R	32(1)	The wording at present suggests that all staff must undergo rigorous training a shown in sub-section (a) – (e). This differs from the Statutory Code that requires such training for "appropriate employees". Whilst we support detailed training we question the practicality of providing such training to ALL staff and would suggest that a similar distinction is made in the Regulations as it is in the Guidance between all staff training and additional training for senior/specific/key staff.	Your comments here are noted and reference to "customer due diligence" has been removed from Regulation 32(1)(e). However, the Authority considers that the remaining subject matters covered under items (a) to (e) are indeed relevant and appropriate to all staff. Specific attention to the terminology used should be given here and in particular the requirement that "appropriate" training should be provided. While a high level of detail on methods and trends, for example, may not be appropriate for all staff, it remains, nonetheless, an element of any training programme that would most certainly deserve at least some mention. The Authority considers, therefore, that the application of the term "appropriate" provides an insurer with the flexibility to deliver, or arrange to be delivered, relevant training to all staff.
GN	1.2(b)	We note that the term…"class of business.." is used and whilst the context of this is understood we have noted that this could be confused with the term class of business as documented in the Insurance Regulations. An alternative term such as 'block' or 'tranche' or similar could be used to avoid confusion.	Your comments have been noted and, for the absolute avoidance of doubt, the term "class" of business has been replaced with "genre" of business. The Authority wishes to avoid terms such as "block" or "tranche" as these have equally applicable applications in other contexts.

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GN	1.3	Where it states that a deviation from the standard requirements may be considered on its own merits by the courts. We feel it would be beneficial for the Guidance Notes to confirm whom the courts may hold accountable under these circumstances. Would this fall to the insurance company or is there the possibility that this could fall to the individual granting the deviation?	This paragraph of the Guidance Notes in no way changes the further conditions and clarifications already set out in paragraphs 4(2), 4(5), 4(6), 4(8), 4(9) and 4(10) of the Statutory Code which continue to deal with the aspect of offences under the Code.
GN	1.5	Although a minor point, we would suggest removal of the term ‘inter alia’ which seems unnecessary within the Guidance.	The term “inter alia” has been replaced as noted.
GN	1.7	The defined term Recognised Jurisdiction is not included in the Definitions within the Guidance. It is also noted that other capitalised terms within the Guidance Notes are not included in the Definitions e.g. Customer Due Diligence, Regulations, Schedule 2, Politically Exposed Person. For completeness we would recommend that all capitalised terms are included.	The Authority considers that an appropriate level of detail is provided within the Guidance Notes especially when considering that many of the terms are, themselves, the subject of dedicated paragraphs providing detailed explanation. A number of capitalised terms have been removed.
GN	1.9	Could it be made clear that the higher of the local requirements or IOM requirements only applies to the business of the branch/subsidiary locally, and not all the business of the insurer?	This paragraph has been amended to provide the clarity requested.
GN	2.5	As with comments under Regulation 9 we would request review of the terminology throughout the Guidance to ensure that the terms are clearly understood. Terms such as CDD, evidence of identity and verify identity are commonly used. It would be preferable to simplify use of these terms e.g. “CDD” to cover identity, source of funds and KYC as a whole and “verification of identity” used in all cases to cover receipt of satisfactory documentary evidence of identity.	The Authority believes that the subtle distinctions between such terminologies have been appropriately used throughout the Guidance Notes and that, where used, the term “customer due diligence” is taken to mean the entire due diligence and information/documentation gathering process.

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GN	2.8	We note the change for utility bills to be dated not more than 3 months old. This change will create practical difficulties and Members have requested similar wording as in the current standards e.g. "..documents seen should be the most recent available." This will allow firms to continue to operate on a risk-based approach with such documents as it is often difficult with international business to obtain documents within this timescale.	The requirement here, and indeed in paragraph 4.2.3, has been changed as follows. In the event that an older document is provided, the insurer must take steps to understand the reason for this and must be satisfied with the explanation given which should be documented on file. With regard to the use of certain documents, such as a tax assessment, simply noting on that document the fact that it is an annually issued document and has been accepted on that basis (assuming it is the most recently issued) would be quite acceptable. It is noted, however, that instances such as this should be relatively rare as utility bills are by far the most commonly submitted documents.
GN	2.10	Under the last paragraph of this section on page 15, does this apply just to (j) and (k) or are we required to sample the other certifier types as well? If other types, what sampling is expected as checks would normally have been carried out at the time of acceptance?	The final paragraph of paragraph 2.10 applies to all certifications and sample testing should be conducted at the point of document receipt. Naturally, in the event that all certifications received are verified at the point of receipt then there is no need to undertake further sample testing. The primary requirement here is to ensure that at least sample testing is conducted to verify that certifiers are, indeed, who they say they are.
GN	2.20	The heading should be amended to state Recognised Jurisdictions for consistency. We note with caution the requirements to retrospectively review business from countries that are removed from Schedule 2. Member firms will need to think carefully with regards to such reliance given the practical issues in conducting reviews where changes occur. This point reinforces concerns over the effectiveness of Schedule 2 of the Statutory Code.	Your comments with regard to the paragraph heading are noted and this has been changed accordingly. The Statutory Code provides for certain concessions where a country is listed in Schedule 2 to the Code. However, it also removes the ability to utilise those concessions in the event that a country does not appear to apply, or insufficiently applies, the FATF Recommendations. Consequently, the Authority considers it appropriate that historic risk assessments are revisited in the event that any jurisdiction is removed from Schedule 2. Any such review need not necessarily result in any action (i.e. risk-

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		Would it be acceptable to carry out review on the next trigger event following removal?	based) but a review should, nonetheless, take place as a matter of priority. These requirements are the same as those in place with regard to the acceptance of introducer certificates, and the subsequent review of such cases, in situations where the introducer ceases to be regulated or where terms of business are terminated.
GN	2.23	Whilst we understand that this is a wide area could examples be provided in the Guidance Notes on the types of developments to which this applies?	The Authority considers that the description in the Guidance Notes provides sufficient information to describe relevant scenarios which would, for example, include developments involving electronic applications and e-business applications.
GN	4.2.3	Similar comments as per section 2.8 above regarding the date of utility bills.	See 2.8 above.
GN	4.2.4	It would be beneficial if a further addition could be made to include "(d) provided by a Suitable Certifier". It is the case with Isle of Man based life assurance companies, that for the most part our customer base is global. Given the suitable certifier is defined within the current Standards/Proposed Guidance and given the ability to appoint a suitable certifier has been provided to insurers, it would seem a useful addition to be in a position to use a suitable certifier home visit as one means of verifying the residential address. Also, would it be possible to add employees of any Group company of the Insurance Business to the list?	The very start of this section sets the scene in terms of the extent to which the Authority would expect to see extracts of a home visit report used as a means of address verification. The Authority's objective in introducing the ability to accept home visit reports, or extracts thereof, is primarily targeted at the UK market in so far as they are acceptable measures for UK intermediaries and are often referenced on Introducer Certificates as having been one of the means by which the introducer verified the identity of an applicant. An insurer may decide to accept extracts of a home visit report, submitted by a specified person, only in the event that the risk assessment identifies an application as low risk. The Authority would not expect to see home visit reports provided by appointed Suitable Certifiers for a number of reasons, not least of which is the fact that these will, by definition, be jurisdictions outside of those listed in Schedule 2 to the Code.
GN	4.12.1(c) & 4.12.2(c	We note that reference to FATF jurisdiction remains and suggest that this be amended to "Recognised Jurisdiction".	Your comments have been noted and agreed.

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GN	4.22	The risk of bearer shares being used to obscure ownership does arise with regard to Corporate Applicants. As such, an addition is suggested to section 4.4: (h) To reduce the opportunity for Bearer Shares to be used to obscure information on beneficial ownership, the Insurance Business should, where the issued share capital has been issued by means of bearer certificates, satisfy itself that the beneficial ownership of the Corporate Applicant is known and consider the risk profile of the application when deciding what steps to take to establish the true, beneficial ownership of the corporate applicant. The Insurance Business should ensure that the policy is identifiable for monitoring and review purposes. With regard to bearer shares the IPA may also wish to consider whether 4.22.2 is satisfactory in light of the above proposed wording.	The Authority believes that the requirement for an insurer to ensure that the beneficial ownership of a corporate applicant is known is already clearly set out within the Guidance Notes and it is not a requirement dependent upon whether or not the company has issued shares in bearer form.
GN	4.24	We feel this section will be better placed within sections 4.3 and 4.4 regarding corporate applicants.	The subject of holding companies is one that could potentially apply to many of the relationships covered in paragraph 4 of the Guidance Notes and not just paragraphs 4.3 and 4.4. Consequently, the Authority considers it appropriate for the Guidance Notes to represent these requirements as a dedicated and stand alone paragraph at the end of relevant requirements.
GN	5	Typo line 2…"additional information MAY come to the attention…" Line 4 replace "…the situation.." with "…risk profile….."	Your comments are noted and the wording of this introductory paragraph has been changed to ensure clarity.
GN	5.1	Required period is not defined in the Definitions	Your comments are noted and this paragraph has been updated to

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		section but is under section 10.11. Definitions to be updated with the Required Period.	reflect correct reference to paragraph 10.11 of the Guidance Notes.
GN	7.5	Can the IPA clarify whether the timing of sample testing is at the discretion of the insurance business and whether such sampling applies to cases introduced prior to the 2003 AML Standards?	The requirement to sample test an introducer's ability to provide documentation that an insurer is allowing it to hold on its behalf applies regardless of the date of inception of the business. The Authority is minded not to be prescriptive with regard to the frequency of such sampling in favour of allowing flexibility at the discretion of the insurer. However, the insurer should conduct the level of sampling it feels appropriate such that it is sufficiently confident that documentation can be provided without delay should they be required to obtain it.
GN	7.6	In order to provide greater clarity suggested amendment to wording is provided for consideration: "Where the Insurance Business has itself generated a document, the requirement of the Statutory Code will be regarded as met within these Guidance Notes if the Insurance Business maintains a copy of the document accessible to the Introducer (i.e. effectively holding the record on behalf of the Introducer)'	The Authority is unable to provide interpretation on legislation for which it is not responsible and on balance feels that this paragraph of the Guidance Notes already provides sufficient detail in this respect. The Authority is, however, willing to assist licenceholders who may wish to consider proposals for amendment to the Statutory Code when this next takes place and we, of course, remain open to discussions on this matter if we can assist in any way.
GN	11.4	Please provide clarity with regards the terms "senior member of staff" and "senior management" Under Regulations the definition of senior management is provided and it is not clear if the intention is that the terms have the same meaning. If so there may be practical difficulties in some firms managing case by case sign-off or deviations by senior management as defined in Regulations.	We would prefer not to be prescriptive in defining the term "senior member of staff" as this will vary by company. However, it does include management and/or senior management as well as executive and non-executive directors. Where permitted, the Guidance Notes enable certain decisions to be approved or ratified by a suitably experienced and knowledgeable "senior member of staff" and this need not necessarily be a person in one of the above mentioned positions. It must, however, be a person that the insurer believes to have the requisite skills,

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			knowledge, experience and authority with which to make an informed judgement (for example, a team leader etc).
GN	12	As suggested under point 1.7 above for completeness we would recommend that all capitalised terms from both the Regulations and Guidance are included under this section.	See paragraph 1.7 above.
General		Flexibility will only be achieved through improved risk assessment and monitoring methods which may require firms to review and amend the processes used and technology deployed. This is likely to take considerable time and resource.	The Authority recognises that the introduction of a risk-based approach towards anti-money laundering controls and processes is likely to warrant varying degrees of refining to existing risk models in order to maximise the level of flexibility offered under certain circumstances defined within the Regulations and Guidance Notes. It is with this in mind that the ability to effectively maintain existing requirements under the Standards as the “common norm” (i.e. section 4 of the Guidance Notes) has been provided, thereby enabling insurers to develop appropriate risk-based platforms at their own discretion and pace. The Authority does not expect to see large amounts of business being set out as low risk for the purposes of applying reduced or simplified customer due diligence and sees the application of section 4 of the Guidance Notes as being appropriate for the bulk of business received under normal circumstances.
General		Has legal opinion been sought in the development of these mandatory requirements?	The Authority will be submitting the draft Regulations to the Attorney General’s Chambers and this process is, indeed, currently underway. Given the obvious association of the Guidance Notes to the Regulations, these too have been sent to the Attorney General’s Chambers for comment.
R	7(2)	Does “maturity value” include the profit commission, low claims premium rates, continuity discounts, membership credits from Mutual insurers, Financial Reinsurance contracts? If so this could have an impact on some “General insurance contracts”.	The term “maturity value” refers to the option for the payment of a value at a given date, or on the happening of a given event, at some date in the future and does not include profit commission, low claims premium rebates or any other aspects to which you have referred.

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R	7(2)	What are the criteria for waiving, minimising or deferring regulations 8 to 14, 16 to 17 and 24 to 25?	The criteria for waiving or deferring the stated Regulations are where the insurance contract concerned has neither a surrender nor maturity value. For example, a term assurance policy comprises the payment of a small periodic premium (e.g. £10 per month) and will only pay out a given sum assured on the death of the life assured. Consequently, such vehicles present a very low money laundering risk and a waiver or deferral of the stated Regulations may be appropriate. Conversely, if we consider a single premium investment contract where an applicant may invest £2m, for example, in a policy with a 5 year maturity period at which time the value of the policy is returned to the applicant, then this represents a much higher money laundering risk and should be subject to the prescribed AML checks.
R	7(3)	Who is classed as Claimant on Statutory Classes of Insurance Business (i.e. Third Party Motor Insurance, Employers' Liability) also refer to 25 below?	The "claimant" under a policy will be the owner or person entitled to apply for provisions of a policy of insurance to be invoked. Where this is not the same person to whom payment is being made then the provisions of Regulation 25 shall apply.
R	7(5)	Does this section include the payments of Commissions, reinsurance premium (via simultaneous payments clauses), contracts with Third Party claims handlers?	Regulation 7(5) has been removed.
R	7(6)(c)	Would the use of loss adjusters comply with this section?	Regulation 7(5)(c) is not intended to capture the use of loss adjusters.
R	9(1)	How does this apply to "Deferral" under section 7?	In the event that Regulation 7(1) or 7(2) applies, then the insurer may decide to waive the requirements normally imposed under Regulation 9 or it may decide, if it considers it appropriate, to defer those requirements until the point of claim or policy cancellation.
R	11(1) & 11(2)	How does this apply to reinsurance business? Does an insurance business need to identify the ownership structure of a reinsured, if they are an "authorised insurer" in another territory?	An insurer will need to identify the ownership structure of a reinsured even if they are an authorised insurer in another territory. The specific territory and regulatory regime involved will, however, play a part in determining the extent of such verification needed.
R	17(1)	How are "Complex" and "unusual large transactions" defined? Are they in context of that	The Statutory Code has historically necessitated identical attention as described here. The term "unusual" should be taken in the context

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		Insurance Business?	of the circumstances relating to the policyholder and the type, and pattern, of transactions that have taken place to date or which would normally be expected given the known circumstances of the policyholder and the nature and purpose of the investment.
R	17(2)	How does examining the background & purpose of a transaction, following a deferral under section 7 work?	Regulations 7(1) and 7(2) have been amended to remove the ability to waive Regulation 17.
R	21(1)	Does introducer include General Insurance brokers and Risk Managers of Captive shareholder companies?	The term "Introducer" means a person who, by way of business, whether receiving commission, fees or other payment for services provided or not, introduces an applicant to an insurer or undertakes the ongoing servicing of a policyholder.
R	22(1)	Is it intended that this section includes "Insurance Managers", given that the term is defined?	An Insurance Manager will indeed be caught under the requirements of this Regulation if it is assumed that it will be performing any relevant outsourced function as described (i.e. customer due diligence processing or parts thereof).
R	24(1)	How detailed should "Source of funds and wealth" be on Corporate General Insurance, given that under Section 7(2), certain regulations may be waived?	Assuming that Regulation 24(1) has not been waived in accordance with Regulations 7(1) and 7(2), the degree to which the source of wealth investigation should be conducted will depend upon the circumstances of the policy and policyholder concerned. Ultimately, the insurer must satisfy itself that the source of wealth information provided is considered appropriate and that, where it is deemed relevant, evidence to support the source of wealth is provided.
R	25	In the claims settlement process for Liability classes it is not unusual for payment to be made direct to claimant (refer to 7(3) above).	The Authority believes it is appropriate that the insurer is required to understand the circumstances in which payment is to be made to any person other than the policyholder. Often, the rationale will be simply for a matter of expedience, however, this should be understood in all cases and the insurer should consider, on a risk assessed basis, whether evidence of identity of the payee should be obtained.
R	31	Are "appropriate screening procedures" going to be defined?	The Authority does not consider it necessary at this time to define (and therefore prescribe) in Anti-Money laundering Regulations, the practices and procedures that constitute effective staff recruitment

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			screening measures. These are matters for the insurer to decide upon, possibly based on reputable and generally available guidance issued by institutions such as the Chartered Institute of Personnel and Development (e.g. its paper on Tackling Staff Fraud and Dishonesty).
R/GN	General	"Life Companies" are these defined, given that existing legislation refers to Long Term Business/Class of Licence?	The term "Life Companies" was simply a term used in the introductory letter to the consultation and is not used with the Regulations themselves.
R/GN	General	Will there be Guidance Notes for general insurers?	The Authority will continue to monitor the situation with regard to Guidance Notes for the general insurance sector and will again consider this further in due course.
R	2	We note that the definition of policyholder is within the definition of customer due diligence. We consider that it would be helpful for policyholder to be separately defined.	Your comments with regard to the definition of "Policyholder" are noted and this has now been removed as it is already defined under section 34 of the Insurance Act 1986.
R	2	We would appreciate your comment as to whether the IPA intends to issue additional guidance for other classes of insurance business. We consider, in particular, that guidance notes for the captive insurance sector would be of assistance.	Your comments with regard to the potential issuance of guidance for other classes of business are noted. The Authority constantly reviews the potential for issuing guidance in relation to other classes of business and I can confirm that this will continue and the provision of Guidance Notes in this area, and others, will receive appropriate consideration in due course.
R	2	With regard to the definition of a politically exposed person it is noted that the definition is different to that of the FSC in that it does not exclude local PEPs. We understand that the FMA's Anti-Money Laundering sub-committee has provided comment to you in this regard and we would echo the comments made by it.	The Authority acknowledges the minor difference in approach with regard to domestic Politically Exposed Persons ("PEPS") which it believes is consistent with the differing sectors and businesses involved. The Authority considers that its approach is appropriate given the requirements of the FATF and, having taken account of the very small exposure that insurance businesses face in relation to local PEP business, the limited practical problems that this would actually cause. While the Authority does not insist that a PEP should be treated as higher risk simply for being a PEP, there is nothing in the Regulations that would prevent a regulated business from doing so

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			if it so wished in the event that such an approach facilitated a more efficient match with other procedures. Indeed, risk-based assessment will vary on a case by case basis, even within the vastly more frequent non-PEP environment, and where submitted through the same intermediary. Consequently, the Authority does not consider that the application of the Regulations, as set out, will create any procedural difficulties for either an insurance business or intermediary. The FMA made further comments with regard to the inclusion of members of royal families within the PEP definition. In this respect, I would confirm that paragraph 3.1(a)(i) of the Guidance Notes includes reference to "heads of State".
R	7	It is not clear whether the requirements of Regulation 7(4) and 7(5) apply to all policies or just to those policies which have no surrender or maturity value. If it is anticipated that they would apply to all policies, we would anticipate that the information required by Regulation 7(4) would already be held by the insurance business as this would have been obtained prior to the issue of cancellation rights. We would welcome clarification from the IPA in this regard particularly as, if Regulation 7(4) is meant to apply to situations where the policy is made not taken up, we envisage that practical difficulties may arise for an insurance business which is trying to obtain KYC information on a policy which is not being proceeded with.	Firstly, Regulation 7(5) as included in the Regulations issued for consultation has been removed. Turning to Regulation 7(4), this would apply to any policy being cancelled irrespective of whether or not it has a maturity or surrender value. Policies may be cancelled, with premiums refunded, at any time at the discretion of the insurer and not purely in relation to those requiring the issuance of cancellation rights. As you mention, in many instances, full customer due diligence will already have been completed in the lead up to policy issue. However, Regulation 7(4) applies to any business where this may not have been the case and may include, but not be limited to, situations where concessions under Regulations 7(1) or 7(2) may have been applied.
R	9	We note that regulation 9(2) requires either original documents to be held or suitably certified copies of original documents. There are, however, a number of instances within the Guidance Notes where the insurance business is able to accept	In the event that an introducer provides a photocopy of a copy of an original that it took at some point in the past, this is acceptable provided that (a) the photocopy shows the copy of the initial certification signed by the introducer at the time the initial copy was

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		copies of documentation from the business introducer's records. In this instance, it is likely that the document held by the insurance business will be a copy of a copy and this does not seem to be permissible under the current wording of regulation 9(2). The same comment applies to section 2.5 of the Guidance Notes.	taken and (b) shows a further original certification to the effect that the photocopy now provided is a true copy of a copy from the introducer's records. Any copy document provided should provide an original certification. Similarly, an introducer may have taken 10 copies of the original 3 years ago, and certified each of them individually, and may now provide one of those to an insurer which would be entirely acceptable.
R	9	We understand that regulation 9(4) is aimed at insuring that an insurance business retains ultimate responsibility for customer due diligence. We consider, however, that the current wording could imply that customer due diligence cannot be delegated i.e. that this function could not be outsourced to another party. Perhaps the IPA could consider the wording of this regulation further and it may also be useful for cross reference to be made to Regulation 22.	Your comments regarding Regulation 22 are noted and Regulation 9(4) has been updated accordingly.
R	17	Regulation 17(1) requires an insurance business to 'pay special attention to all complex, unusual large transactions..'. We consider that the use of the wording 'pay special attention to' places reliance on staff within the insurance business to remember to identify such transactions, to investigate them and to record the outcome. We would suggest that the emphasis should be placed on monitoring for such transactions which would then lead to the circumstances being investigated and recorded.	The wording here is derived from paragraph 11.1 of the FATF Methodology and the Authority considers that the phrase "pay special attention to" appropriately reflects the requirements placed on an insurer in that monitoring for such transactions must, therefore, take place in order that such attention may be given.
R	18	We have interpreted regulation 18(4) to mean that where a policy is subject to a waiver, it should be monitored and the insurance business should review the risk rating and seek additional	Your interpretation, as outlined, is indeed correct. However, for the avoidance of doubt I have amended the wording to Regulation 18(4) to provide greater clarity.

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		information, where appropriate. We would appreciate confirmation that this is what is intended by this regulation as it refers to 'this Regulation' and the scope of its application is not clear vis-à-vis the other elements of regulation18.	
R	20	Regulation 20(2) provides an insurance business with the scope not to obtain enhanced due diligence on a PEP. Regulation 20(4) requires that all PEPS are signed off by senior management. If an insurance business decides not to obtain enhanced due diligence on a PEP, why should it have to obtain senior management sign-off as it would be treating the PEP as standard risk? This comment applies equally to section 3.2 item (d).	The Authority does not require that an application, or policy, be treated as higher risk automatically simply on the basis of having a PEP association alone, although reduced or simplified customer due diligence is not permitted. However, the Authority believes it is appropriate for the acceptance of all PEP business, regardless of the risk assessment, to be approved senior management in order to (a) provide assurance that senior management agree with the risk assessment conducted and (b) ensure that senior management are made aware of the relationship thereby providing them with the ability to make any further comment or impose specific requirements at their discretion.
R	20	We consider that regulation 20(5) provides scope for an insurance business not to undertake effective PEP checking in the first instance by enabling it to refer the policy at a later date. Perhaps the sense of regulation 20(5) would be more in context if it followed regulation 20(7).	Regulation 20(5) does not serve to override the fundamental requirement set out in Regulation 20(1) and the Authority does not believe that this provides any scope for an insurer to avoid its obligations for effective initial PEP checking. What it does do, however, is acknowledge that the procedures required under Regulation 20(1) will not be infallible and certainly won't identify persons who subsequently become PEPs. Consequently, Regulation 20(5) simply sets out the requirements in respect of persons subsequently found to have been, or have become, PEPs.
R	20	We note from regulation 20(5) that there is a requirement for the policy to be referred to senior management. It is not clear what the purpose of the referral will be. Will senior management be expected to consider the relationship or to sign-off the relationship or both?	The acceptance of any PEP identified at the point of application needs to be approved by senior management for the purposes outlined in Bullet 1 above. It follows, therefore, that a similar process for consideration of the risks involved is provided for in the event that a PEP association is identified during the lifetime of a policy. This may not provide similar opportunity for rejection of the business but it does ensure that the PEP association is known and understood and, where necessary, appropriate action is taken or

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			information requested.
R	21	We consider that the wording of regulation 21(4) could be interpreted to mean testing of the insurance business' procedures. We would anticipate that the IPA is referring to testing of the introducer's procedures and we would suggest that the wording may need to be reviewed.	The Authority believes that it is the procedures of the insurer that are being tested here. An insurer will have procedures for obtaining introducer held documentation as and when it needs to or is required to do so. All that is being tested of the introducer is their ability to comply.
R	32	Regulation 32(3) states that it is the responsibility of the insurance business to ensure that any staff who are undertaking any work on behalf of the insurance business, in an outsourced situation, receive anti-money laundering training. It is not clear whether it is the responsibility of the insurance business to cause the training to be delivered or simply to gain assurance that the training has been delivered.	Regulation 32(3) places responsibility for ensuring that relevant staff are trained on the insurer. The Authority does not wish to impose further restrictions in that, for example, the insurer must provide the training or that it must arrange the training. The manner in which training is either arranged or delivered within the non-life sector, for example, is likely to be different to that of the life sector and the Authority considers it appropriate that an insurer has responsibility simply for ensuring that suitable training is provided.
R	33	It is noted from regulation 33 that anti-money laundering training has to be provided to temporary staff. It would be helpful to include a de minimis on the length of time a temporary staff has to be employed before anti-money laundering training has to be provided.	The Authority believes that the application of a minimum period of temporary employment would be too restrictive as situations will vary greatly. An insurer will need to assess "appropriate" training requirements based on factors such as the period of temporary employment, the nature and seniority of the position and the exposure to money laundering risk.
R	37	It is noted that regulation 37 requires policies to be in place to 'ensure the security of personal information'. It is not clear what information is intended to be captured by this requirement. For example, is it personal information in relation to policyholders or does it extend to personal information in relation to employees? The same comment applies to section 2.23 of the Guidance Notes.	Your comments here have been noted and the phrase "and to ensure the security of personal information" has been removed.
GN	1.4	We note that section 1.4 provides guidance as to what enhanced customer due diligence should	Your comments have been noted and paragraph 1.4 has been restructured to more accurately reflect requirements.

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		entail. We also note that reference is made to an insurance business undertaking one or more of the items listed in (a) to (e). We consider that if an insurance business decided to solely undertake item (e), this would mean that no enhanced due diligence would be undertaken at outset and that the policy would only be subject to further monitoring. In our opinion, simply flagging a policy for further monitoring may not be robust enough for the enhanced due diligence that would be expected on a higher risk policy. This is particularly as crossed reference is made to this section from section 3.3 in relation to PEPS.	
GN	2.3	We note that section 2.3 states that an insurance business would not be expected to settle a claim unless it was satisfied with the customer due diligence or the source of wealth. In our opinion, source of wealth information would not be an appropriate alternative to customer due diligence for the settlement of a claim.	Your comments have been noted and paragraph 2.3 has been updated to more accurately reflect requirements.
GN	2.8	We are aware that the FMA's anti-money laundering sub-committee has already commented on the difference in the approach to certification between the FSC and the IPA. We would echo these comments. In addition, it is difficult to see how a judgement will be made as to whether the certifier is suitable without knowing the capacity. Equally, there are instances where the date of certification has assisted in raising queries as to the validity of the certification.	Your comments have been noted and paragraph 2.3 has been updated to more accurately reflect requirements. In so far as the date of certification is concerned, sub-paragraph (a) of paragraph 2.8 sets out that all copy documents obtained should be signed and dated by the Suitable Certifier.
GN	2.10	We are assuming that the two indented paragraphs following item (n) are relevant only to item (n). We would, however, appreciate your confirmation	Your assumption here is indeed correct and the wording of this element of paragraph 2.10 has been amended to remove any ambiguity.

Regulation (R) or Guidance Notes (GN)	Ref:	Comment	IPA Response / Action
		in this regard.	
GN	2.10	We note that section 2.10 requires the insurance business to have procedures in place to determine the authority under which the certification is given if this is not known. In our opinion, there is a risk that administrative staff may not know the authority under which the certification is given but may assume that it is acceptable without undertaking further research. We anticipate that it may be difficult for insurance businesses to secure compliance with this requirement in practice and we would, therefore, suggest that requiring capacity to be stated in the certification may be a solution.	As mentioned above, the term "authority" has been replaced with "capacity".
GN	2.10	Section 2.10 requires an insurance business to undertake sampling 'to test that the persons are as described'. It is not clear what the IPA expects in this regard and we would welcome further clarification.	Random sample testing should be undertaken to verify that a person certifying documentation is, indeed, a person with the stated capacity at the organisation indicated (e.g. the Introducer firm).
GN	2.11	It would appear that the requirement to appoint the suitable certifier in writing is no longer expressly included. Reference is made to 'the written appointment' but it may be helpful for the requirement to be specifically stated rather than implied.	For the avoidance of doubt, the relevant wording in this section has been changed to ensure clarity of understanding.
GN	3	It is our view that a lot of the text in the introductory piece is replicated further in section 3. The IPA may, therefore, wish to review the wording of the introduction.	The subject of politically exposed persons represents one of the more significant changes introduced within these Guidance Notes and the Authority believes that the extent to which relevant guidance has been provided is appropriate in the circumstances.
GN	3.1	We consider that the list of potential PEPS in section 3.1 should specifically include members of royal families.	Paragraph 3.1(a)(i) of the Guidance Notes includes "heads of State" which would, for example in the UK, mean Queen Elizabeth II. The further defined associations to PEPS in sub-paragraph (c) will then bring appropriate family members into the process.

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GN	3.4	We note that section 3.4 requires an insurance business to identify policies with a PEP risk. Given that the regulations appear to give an insurance business scope to not treat a PEP as high risk, does this requirement apply to all PEPS or just those which the insurance business has decided to treat as high risk?	Your comments are noted and the relevant wording in paragraph 3.4 has been amended to provide greater clarity.
GN	4.2.1	Section 4.2.1 includes reference to the residential address. It is difficult to see why this requirement is included here and we would suggest that it should be moved to section 4.2.3.	Your comments here are noted and agreed.
GN	4.2.2	Section 4.2.2 includes a paragraph in relation to the acceptability of a driving licence as evidence of identity. We have concluded that this paragraph means that a driving licence can be accepted and we would, therefore, suggest that a driving licence is simply included with passport and national identity card in the first paragraph.	It is not the Authority's intention for the acceptance of a driving licence to be treated as a primary means of verification in the same way that a passport or national identity card is. It is for this reason that paragraph 4.2.2 starts in the way that it does. A photo ID driving licence is, as stated in the second paragraph, only acceptable providing the insurer has satisfied itself that the licence is issued by an authority which may be relied upon to have undertaken sufficient and appropriate checks into the identity of the individual before issuing the licence. Jurisdictions vary with regard to the level of due diligence performed in the issuance of driving licences and the insurer must be satisfied that the authority issuing the licence exercises appropriate identity checks as part of that process. Evidence, and results, of the investigation and checks conducted must be held on the client file.
GN	4.2.2	We have concluded from the final paragraph of section 4.2.2 that where an address verification document is used to verify identity, another address verification document should be obtained. If this is the case, we consider that the wording of the final paragraph could be confusing and could be stated more simply.	The penultimate paragraph requires that, in the absence of the stated identity verification then two other documents can be accepted in its place (i.e. a minimum of two documents from paragraph 4.2.3). In such cases, it is not necessary to then obtain a third item of address verification and it is this that the final paragraph looks to clarify.

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GN	4.2.3	It is not clear why reference has been made to original and certified copies in section 4.2.3 when the subject of original and certified documents has been dealt with in previous sections of the Guidance Notes.	This paragraph has included reference to original and certified copies simply as a means of introducing the following list of address verification items that may be accepted.
GN	4.2.5	In our work with insurance businesses, the requirement at section 4.2.5 has always resulted in the response that it is the policyholder's responsibility to advise the insurance business of a change of address. It is not, therefore, clear what the IPA is trying to achieve through this requirement.	Your comments are noted and the wording of paragraph 4.2.5 has been amended to ensure clarity of understanding.
GN	4.2.7	We consider that the wording in section 4.2.7, 'and has been unable to obtain any other form of evidence of identity', implies that this concession applies to instances where the insurance business cannot verify the identity and address. We would appreciate clarification from the IPA in this regard.	Your comments are noted and the wording to the introductory paragraph has been amended to ensure clarity of understanding.
GN	4.2.7	We note that section 4.2.7 requires an insurance business to know the location of the individual. We would appreciate further guidance from the IPA as to what might be required in respect of location.	Paragraph 4.2.7 refers to the term "location" in two places. The "location" referred to in sub-paragraph (b) will be a written physical description of the place where the applicant lives. The "location" referred to in sub-paragraph (c) refers to the country and/or region involved as it is this aspect that may have an impact in relation to any risk assessment.
GN	4.12.1(f)	Section 4.12.1(f) requires the insurance business to verify the identity of at least 2 of the principle signatories. Do these have to be different from the directors or executives?	The wording of paragraph 4.12.1(f) has been changed to provide clarification such that, where possible, the signatories chosen for identification purposes should not be the same as the directors or chief executives similarly selected.
GN	4.13(h)(iii)	Section 4.13(h)(iii) refers to beneficiaries whose identity the Foundation Council has not verified. In our opinion, the Foundation Council may not be under a duty to verify the beneficiaries and it	Your comments are noted and the relevant wording to paragraph 4.13(h)(iii) has been amended accordingly.

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		may be helpful for insurance businesses to have some guidance in this regard.	
GN	4.19	Section 4.19 refers to a member of the insurance business' group which is subject to supervision of an equivalent standard. Would it be more appropriate to refer to supervision in a Schedule 2 country?	Paragraph 1.7 of the Guidance Notes states that inclusion within Schedule 2 does not automatically mean that any particular country, and the relevant part of its AML/CFT regulatory environment, will meet with equivalent standards.
GN	4.23	It is noted that section 4.23 refers to the insurance business having copies of the documents collected by the introducer. It would be helpful if the IPA could clarify whether these copies need to be certified.	The Authority is mindful that occasions may arise where an Isle of Man Introducer, authorised by the FSC, may provide an Insurer with documentation prepared and submitted in accordance with FSC requirements with which they are more familiar. In deciding whether or not to accept any such documentation, the Insurer must satisfy itself that the documentation has been submitted in a form that meets the FSC requirements. Alternatively, the insurer may decide to apply the requirements of these Guidance Notes which may, or may not, be the same.
GN	4.23	In our opinion, section 4.23 could give the impression that only business introduced by an Isle of Man introducer is acceptable. It may, therefore, be helpful for reference to be made to sections 7 and 8 of the Guidance Notes.	I may well be missing something on this point and I would be happy to discuss it further with you should you wish.
GN	5.2.1	The second paragraph of section 5.2.1 states that identity may not have to be re-verified for a subsequent business transaction provided that the policy was not previously subject to simplified due diligence. This gives the impression that where there is a subsequent business transaction, the policy could no longer be treated as being subject to simplified due diligence. There may, however, be circumstances in which this would be appropriate and we would appreciate further clarification from the IPA in this regard.	The key terminology here is "If the Applicant for a Business Relationship…." at the start of the second paragraph. If an applicant for a business relationship is an existing policyholder then it follows that the transaction in question is a new application. What this paragraph is saying is that identity of such an applicant, in so far as the new application is concerned, does not need to be re-verified unless the existing policy was subjected to reduced or simplified due diligence within the last 2 years. Paragraph 5.2.1(a) deals with instances where previous verification was undertaken more then two years ago.

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GN	7.4	We consider that section 7.4 includes practical and workable guidance in relation to placing reliance on introducers and we note that undertaking physical testing of the introducer's records is one of several methods put forward for demonstrating that reliance can be placed. We note, however, that section 7.5 requires the insurance business to have procedures in place to undertake testing of the introducer's records. We consider that the requirements of section 7.5 impinge on the flexibility offered by section 7.4 and we would appreciate clarification form the IPA as to whether testing of the introducer's records is expected or otherwise. This comment would apply equally to section 8.6.	Unlike paragraph 7.4, paragraph 7.5 refers only to those regulated Introducers who are permitted to hold customer due diligence documentation on behalf of the insurer. The Authority believes it is appropriate for an insurer to (a) monitor the regulatory status of such entities and (b) periodically provide its own self assurance that such Introducers are capable and willing, to provide the insurer with the documentation that it is holding on their behalf (Regulation 21(3) refers).
GN	8.1	Section 8.1 uses the term 'Recognised Jurisdiction'. We cannot see, however, that this term has been defined within the Guidance Notes.	Given the existence of paragraph 1.7 "Recognised jurisdictions" the Authority doesn't believe there would be any benefit in adding any further definition in paragraph 12.
GN	8.5	Given the elapsed time, is the inclusion of this requirement still necessary?	The Authority believes that it remains appropriate to continue the application of this requirement.
GN	11.4	We consider that the first paragraph of section 11.4 is largely a replication of the last paragraph of section 11.3.	Your comments are noted and the wording to paragraph 11.4 has been amended accordingly.
GN	11.4	It is acknowledged that the frequency of training is documented in the Regulations. It may, however, be helpful to include reference to it within the Guidance Notes.	Your comments are noted and a further paragraph has been added to the Guidance Notes in this respect.
GN	General	We understand that the Criminal Justice (Money Laundering) Code 2007 and the Regulations apply to pension administrators or trustees. We have concluded that the Guidance Notes do not apply on the grounds that these are for long term business which, in practice, means the life	You are indeed correct in your understanding that the Criminal Justice (Money Laundering) Code 2007 applies to both pension scheme administrators and trustees by virtue of paragraphs 17 and 18 respectively of Schedule 1 to that Code. The Guidance Notes issued for consultation here are, as the introductory letter states, applicable only to insurance businesses writing long term business

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		assurance sector. We would appreciate your confirmation, however, that our understanding is correct, particularly as we anticipate that compliance with Sections 4.9 and 4.10 of the Guidance Notes could have practical implications for administrators or trustees should they have to obtain KYC on a member of the pension arrangement at the point of distribution.	as defined under the Insurance Regulations 1986.
R	20	We note that the proposed approach to Politically Exposed Persons ("PEPs") is different to that on which the Financial Supervision Commission ("the FSC") has recently consulted. The FSC excludes PEPs resident on the Isle of Man from its definition of a PEP and it will always require enhanced due diligence to be undertaken where there is a PEP risk. We note, however, that the Insurance and Pensions Authority ("the IPA") does not exclude local PEPs from inclusion within PEP procedures and that a risk-based approach can be adopted as to whether enhanced due diligence is required. In our opinion, this divergence in approach brings with it a number of practical issues. For example, where a licenceholder is regulated by both the FSC and the IPA, the difference in requirements could cause difficulties in applying a common set of procedures to all areas of the business. We also anticipate that business introducers might comment on the difference in requirements and that it could be a matter on which the IMF would welcome further clarification.	The Authority acknowledges the minor difference in approach with regard to domestic Politically Exposed Persons ("PEPS") which it believes is consistent with the differing sectors and businesses involved. The Authority considers that its approach is appropriate given the requirements of the FATF and, having taken account of the very small exposure that insurance businesses face in relation to local PEP business, the limited practical problems that this would actually cause. While the Authority does not insist that a PEP should be treated as higher risk simply for being a PEP, there is nothing in the Regulations that would prevent a regulated business from doing so if it so wished in the event that such an approach facilitated a more efficient match with other procedures. Indeed, risk-based assessment will vary on a case by case basis, even within the vastly more frequent non-PEP environment, and where submitted through the same intermediary. Consequently, the Authority does not consider that the application of the Regulations, as set out, will create any procedural difficulties for either an insurance business or intermediary. Your comments with regard to the inclusion of members of royal families within the PEP definition are noted. In this respect, paragraph 3.1(a)(i) of the Guidance Notes includes reference to "heads of State".

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		We would propose that the definition of a PEP should be extended to specifically include members of royal families as, in practice, these are often treated as PEPs by licence holders.	
GN	2.8	We note from Section 2.8 of the Guidance Notes that the certification of identity documents will no longer have to include the capacity or the date of the certification. These items will still be required under the FSC regime and again we would comment on the divergence in approach. As you are no doubt aware, a number of business introducers introduce business to both FSC and IPA regulated businesses. We anticipate that the difference in requirements could lead to negative comment in relation to the Island's anti-money laundering regime from such business introducers and again, could be an area for which the IMF seeks clarification.	For the avoidance of doubt, the term "authority" has been replaced with "capacity" in paragraphs 2.8 and 2.10 of the Guidance Notes. Paragraph 2.8(a) of the Guidance Notes sets out that all copy documents obtained should "be signed and dated by the Suitable Certifier." Consequently, the Authority is unable to accept the lack of requirement for certifications to be dated.
GN	4.3	It is noted that Section 4.3 requires Source of Wealth information to be obtained in respect of listed companies. It is our view that listed companies may proffer high level statements such as 'trading' or 'profits' as Source of Wealth information and perhaps it would be more prudent to require insurance businesses to understand and document the nature of a listed company's business activities as part of the KYC requirements.	The Guidance Notes require that the source of wealth should be "satisfactorily verified" and the Authority believes that this provides an insurance business with appropriate scope to determine, on a case by case basis, the type of information and degree of verification required in order to provide such "satisfaction".
GN	2.20	We consider that the title of Section 2.20 should refer to 'recognised jurisdictions' to be consistent with the text which follows.	Your comments with regard to the heading of paragraph 2.20 have been noted and this has been changed accordingly.
GN	4.2.7	We note the list of requirements in Section 4.2.7 in respect of those instances where the	The structure of all paragraphs, including paragraph 4.2.7, is set out such that listed requirements are cumulative unless otherwise stated.

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		licenceholder has been unable to verify the address of an individual. We understand that items (a) to (e) are cumulative and we would, therefore, suggest that 'and' should be inserted after each item for the purposes of clarity.	The Authority does not, therefore, consider it necessary to amend the basis upon which this section has been drafted in preference to any wholesale revision to the Guidance Notes in general.
GN	5	We note that the introductory text to Section 5 contains a minor typographical error. We consider that the end of the first sentence should read '…additional information may come…'	The typographical error within paragraph 5 has been amended.
GN	2.6	Could you provide clarification on point (b) page 11 of the Guidance in respect of the use of the word 'status'?	This should be taken to include assessment of any natural persons or legal arrangements such as corporate bodies, trusts, charities etc. with reference to location and regulatory environment. In so far as corporate bodies are concerned, for example, then their "status" would include reference as to whether or not they may be listed companies or regulated entities etc.
GN	General	Why do the IPA use the title Guidance notes and the FSC use Handbook? Will this cause confusion – particularly with the forthcoming IMF visit? In a recent FSC seminar the audience were advised that the IMF don't like the term "Guidance Notes" – so why have the IPA changed the title from standards to guidance notes?	Section 24C of the Insurance Act 1986 (as amended) provides the Supervisor with the power to issue Guidance Notes for the purpose of making binding guidance with respect to any matter in respect of which regulations may be made under the Act. The IMF's principle concern with regard to guidance more generally issued relates more to the fact that they often lack the requisite degree of legal enforcement and can leave regulated entities with the ability to adopt, or dismiss, aspects of the guidance at their discretion. As mentioned above, these Guidance Notes reflect binding guidance issued under the provisions of the Insurance Act 1986 (as amended) and so incorporate the legal powers of enforcement that the IMF will be seeking to assess.
GN	General	We would like to see a section in the Guidance Notes (Standards) that recommends that MLROs report on a regular basis to Senior Management or the board on AML issues. The format and frequency will vary but should contain as a	Your comments here have been noted and agreed and the Regulations have been amended to insert requirements consistent with the views you have expressed.

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		minimum such matters as number of reports, progress on AML issues/risks, (internal and external), typologies affecting the industry etc. This will also ensure some consistency with the FSC Handbook which states the MLRO should provide reports and other information to senior management.	