

SIGNED MINUTES

MINUTES OF THE MEETING OF THE AML/CFT ADVISORY GROUP HELD AT 2.00pm FRIDAY 21 JULY 2017 IN THE KING ORRY ROOM, CABINET OFFICE, ISLE OF MAN GOVERNMENT

Present: Karen Ramsay, Head of AML/CFT Policy Office, Cabinet Office (Chair)
Joanne Hetherington, AML/CFT Policy Manager, Cabinet Office (Minutes)
Simon Pickering, Head of Financial Services, Dept of Economic Development
Julian Lalor-Smith, Director of Administration & Legislation, Dept. of Home Affairs
Iain MacMillan, Operations Manager, FIU
Helen Ault, Deputy Director AML/CFT, GSC
Kelly Mercer, AML Manager, IoMFSFA
Bryn Griffith, Beneficial Ownership Manager, IoMFSFA
Stuart Quayle, Director of Policy & Legislation, Treasury
Graeme Snape, Chair, AICP
Nathan Holden, CISI Representative
Jon Barwood, Committee Member, FPIBA
Phil O'Shea, Chair of Risk & Compliance Committee, IoMBA & Institute of Directors
Sinead O'Connor, Representative, IoMCA
Juan Moore, CEO IoM Law Society
Jon Whiting, Representative, IoMSCA
Paul Clague, Representative, IoM Wealth & Funds Association
Gillian Marples, MIA

Apologies: Paul Heckles, AML/CFT Advisor, Cabinet Office
Ray Todd, Manager, Legal & Policy, Customs & Excise Division
Lindsey Birmingham, Director, Financial Intelligence Unit (FIU)
David Griffin, Director of Enforcement, IoM Financial Services Authority (IoMFSFA)
Mark England, Risk & Compliance Manager, IoM Post Office
Sandra Skuszka, Chair, ACCA
John Atherton, MLRO, ACSP
Mark Denton, Chair, ACSP
Doug Elliott, Chair, APSP
Bill Mummery, Director IoM Chamber & Vice Chair ICT Committee
Kurt Roosen, MICTA

022/17 WELCOME FROM THE CHAIR

The Chair welcomed Mr Nathan Holden to the AML/CFT Advisory Group (the Group) as the new representative for the Chartered Institute for Securities and Investment (CISI). The Chair thanked Mr Jonathan Leece who had previously attended the Group in the capacity of CISI President, and had sent his good wishes for the future.

The Chair also welcomed Mr Bryn Griffith to the meeting as the new Beneficial Ownership Manager at the IoM Financial Services Authority (IoMFSFA).

023/17 MINUTES OF AML/CFT ADVISORY GROUP MEETING HELD ON 28 MARCH 2017

Having been previously circulated, the minutes of the AML/CFT Advisory Group meeting held on 28 March 2017 were agreed and signed by the Chair.

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024/17 MATTERS ARISING FROM THE MINUTES

a) Request for rolling action log

The IoM Wealth and Funds Association representative requested that a log of rolling actions is created for the Group. It was **agreed** that the Cabinet Office would prepare this.

**ACTION
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b) Financial Intelligence Unit

Minute 014/17c

The Group noted that during the IoMFSA's ongoing visits to Designated Non-Financial Businesses and Professions (DNFBPs), the Regulator had been checking that companies had registered on the Financial Intelligence Unit's (FIU) online reporting system, Themis, and reminders were being given to those who had not done so. The IoMFSA also issued a registration reminder to DNFBPs in its spring update.

c) Customs & Excise Bill 2017

Minute 020/17a

It was noted that the Customs and Excise Bill 2017 (the Bill) had received its First and Second Readings in the House of Keys (HoK) in May 2017. It was further noted that the Bill is due to have its Clauses read at the first sitting of the HoK in the 2017/18 Parliamentary session.

The Chair clarified that following its enactment, this legislation will allow industry to provide information directly to the FIU (rather than the Treasury), thus simplifying the reporting mechanism for suspicious activities, as the FIU moves towards becoming a "One Stop Shop" for reporting purposes.

d) Proliferation & Proliferation Financing Policy Protocol

Minute 020/17b

It was noted that the Proliferation and Proliferation Financing Policy Protocol had been published by the Customs and Excise Division, Treasury.

025/17 INDUSTRY ROUNDTABLE

Updates were received from industry representatives and in particular:

a) IoM Law Society

The IoM Law Society CEO advised that all members of the Society have registered on the FIU's Themis system.

b) CISI

The Group noted that Paul Kneen, Chief Operating Officer at Pacific Funds Systems had been appointed as CISI President.

c) IoM Bankers Association

It was noted that a very constructive workshop provided by the FIU had been held at HSBC, and approximately 80 banking staff had received

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targeted training as part of a series of briefing sessions throughout the day. A further workshop with the banking sector was due to be delivered by the FIU w/c 24 July 2017.

026/17 MONEYVAL UPDATE

The Chair advised the Group that the MONEYVAL Mutual Evaluation Report of the Isle of Man (MER) contained 216 recommended actions, which were broken down into 61 "Effectiveness" actions and 155 "Technical Compliance" actions. It was noted that 16 of the Effectiveness actions were deemed by MONEYVAL to be "Priority actions".

It was noted that a delivery plan was in place, to track the Authorities' progress against the recommendations, which was being overseen by the Financial Crime Strategic Board, Chaired by the Chief Secretary.

The Group was advised of a number of key updates, including the following:

- The Financial Crime Unit (FCU) has moved its offices from IoM Constabulary HQ, to the Department of Home Affairs at Tromode
- The position of Director of Financial and Cyber Crime in the FCU has been advertised
- The Beneficial Ownership Act 2017 received Royal Assent at the April 2017 sitting of Tynwald. Beneficial ownership guidance prepared by the IoMFSA was approved at the June 2017 sitting of Tynwald and the central database went live on 1 July 2017.
- A central beneficial ownership webpage has been set up to provide further information and support which can be found at: <https://www.gov.im/categories/business-and-industries/companies-registry/beneficial-ownership/>
- The Gambling (AML/CFT) Bill 2017 had its Second Reading in the House of Keys on 27 June 2017 and passage through the Branches will continue during the next Parliamentary session.

027/17 MONEYVAL DELIVERY PLAN TIMETABLE 2017/18

The Group noted details of the IoM Government's MONEYVAL Delivery Plan timetable up to April 2018. The timetable clearly showed the milestones which the IoM must meet, and in particular:

- 25-28 September 2017 – IoM representative(s) to attend MONEYVAL Plenary to present an interim progress report on MONEYVAL's recommendations to delegates
- 4-7 December 2017 – IoM representative(s) to attend MONEYVAL Plenary.
- 9 February 2018 – IoM to submit 1st Enhanced Follow-Up Report to MONEYVAL.
- 23 -26 April 2018 – IoM delegation to attend MONEYVAL Plenary and present 1st Enhanced Follow-Up Report. Plenary to assess level of progress made by the IoM and report accordingly.

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The Chair confirmed that the 16 Priority Actions identified by MONEYVAL were being dealt with as priorities and other Effectiveness actions were being dealt with accordingly. It was noted that a number of Technical Compliance recommendations were also being progressed.

028/17 NATIONAL RISK ASSESSMENT SECTOR REVIEW

The Chair advised that in line with MONEYVAL recommendations, The Cabinet Office is currently undertaking a risk review of certain sectors within the [IoMG National Risk Assessment of Money Laundering and the Financing of Terrorism 2015](#) (NRA) using the World Bank modelling tool as before. These sectors include advocates / registered legal practitioners (RLPs); estate agents; accountants and non-profit organisations. A review of risk associated with borders will also be undertaken.

It is not the intention to undertake a wholesale review of the NRA or issue a revised document, although focused sector updates may be published in Spring 2018. Furthermore, the sector-specific work is fundamentally an internal exercise for Government, with findings to be shared with the sectors in due course.

It was noted that the Cabinet Office has recently met with the IoM Law Society as part of the advocates / RLP sector review, as the Society is the delegated supervisory body for the sector. A questionnaire and limited interviews are being planned for the sector, which will be circulated via the IoM Law Society in due course.

029/17 IOM GOVERNMENT PROGRESS REPORT ON AML/CFT MATTERS

The Chair confirmed that the IoM Government's first "*Progress Report on Anti-Money Laundering and Combatting the Financing of Terrorism Matters*" was published in June 2017 and can be found online at: <https://www.gov.im/media/1357738/aml-cft-progress-report-june-2017.pdf>.

It was noted that this report was circulated to the Group on the day of publication and a generic email address for the AML/CFT Policy Office (amlcft@gov.im) has been set up to assist members of industry to contact the Cabinet Office on all AML/CFT matters.

030/17 FINANCIAL CRIME STRATEGY 2017-2020

The Chair advised that the Financial Crime Strategy 2017-2020 had been drafted and subject to the approval of the Council of Ministers, would be published imminently.

It was noted that the Strategy had been drafted in response to issues raised by MONEYVAL and it broadens the financial crime agenda to incorporate predicate offences, cybercrime, fraud and corruption.

It was noted that the Strategy had been shared with industry members of the Financial Services Partnership Group, via the Department of Economic Development, and feedback had been sought and received.

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those without a central bank, such as Liechtenstein, San Marino or Andorra) experience the same issues as the IoM, and they are likely to be interested in the IoM model.

There have been two meetings of the AOBO working group, which have been dedicated to information gathering. A further meeting is due to be scheduled in the near future.

The IoMSCA representative expressed concern that there is a perception within industry that following initial meetings of both working groups, there was now a lack of momentum in terms of moving forward. Following discussion it was **agreed** that the IoMFSA would seek to make further progress with both groups as soon as possible.

**ACTION
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034/17 BENEFICIAL OWNERSHIP

Further to the update on the Beneficial Ownership Act 2017 (BOA) provided earlier in the meeting (Minute 026/17 refers), the Treasury's Director of Policy and Legislation advised that the Department of Economic Development (DED) was encouraged by the high volume of early registrations on the central database of corporate beneficial ownership, which is maintained by Companies Registry.

It was also noted that due to the high number of registrations, Companies Registry was behind schedule in terms of processing. Members of the Group expressed concern that if there was a delay in issuing activation codes, then there could be penalties issued to industry.

DED's Head of Financial Services **agreed** to follow this matter up, to see if the issue could be resolved during the crucial bedding-in period.

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It was also noted that the Treasury has a variety of powers to amend the BOA (e.g. through Orders) and is receptive to receiving feedback from industry.

The IoMSCA representative relayed queries from clients who had asked whether they needed to register nominee companies, and the IoMFSA's Beneficial Ownership Manager advised that those clients should seek legal advice.

The Group noted that the Beneficial Ownership Manager was responsible for the oversight of the central database. A number of visits are scheduled, but do not currently extend to Trust and Corporate Service Providers. It was noted that these visits will seek to ascertain if the BOA is being complied with, and if not, helpful remediation advice will be offered in the first instance.

It was noted that two beneficial ownership seminars have been delivered by the Isle of Man Government via the Association of Corporate Service Providers, and further outreach is planned to the accountancy sector and IoM Law Society.

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It was noted that the Strategy will be circulated to the Group on the day of publication, and it contains the following four priority objectives:

- Understanding the ML/TF threat, risks and harm facing the IoM
- Ensuring that the IoM is a hostile jurisdiction for ML/TF
- Proactively identifying and pursuing offenders
- Taking the benefit out of crime

[N.B. following the meeting, the Strategy was published on 10 August 2017 at: <https://www.gov.im/media/1358112/isle-of-man-financial-crime-strategy-2017-2020.pdf>].

031/17 EU WIRE TRANSFERS REGULATIONS UPDATE

The Group noted that the UK had published its *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017*.

It was noted that the *European Union (Information Accompanying Transfers of Funds) (Amendment) Order 2017* came into operation in June 2017 (SD 2017/0182) and Appendix H of the IoMFSA's AML/CFT Handbook would be amended to reflect the new wire transfers Regulations.

**ACTION
IOMFSA**

032/17 FIU UPDATE

The Operations Manager, FIU, updated the Group on the FIU's programme of outreach visits provided to industry, including engagement with industry bodies and businesses. These included the accountancy, banking, insurance and e-gaming sectors. It was further noted that the FIU will also be delivering 45 minute 'Money Laundering Reporting Officer Masterclasses' through the IoM Law Society, which will cover changes to the FIU's powers, how to use Themis, and full details of the disclosure regime.

Members of the Group were invited to contact the FIU via fiu@gov.im if they would like to request a training visit.

The Group also noted that Lindsey Bermingham, Director of the FIU, has been appointed Joint Chair of the Egmont Euro II Group, which gives the IoM a seat in the global organisation of FIUs.

033/17 ACTING ON BEHALF OF & FINANCIAL FLOWS WORKING GROUPS

It was noted that progress was being made in two working groups which have recently been established by the IoMFSA (Minute 018/17 refers). Andrew Kermode (Head of Banking, Funds and Investment) is leading the 'Financial Flows' working group and Kelly Mercer (AML/CFT Manager) is leading the 'Acting On Behalf Of' (AOBO) group.

The Group noted that one of the main criticisms by MONEYVAL is that due to the lack of a central bank in the IoM, there is no data available for incoming and outgoing flows of money, or an understanding of the associated terrorist financing threat.

MONEYVAL has acknowledged that all jurisdictions in similar situations (i.e.

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035/17 ANY OTHER BUSINESS

a) Frequency of AML/CFT Advisory Group meetings

The AML/CFT Policy Manager, Cabinet Office, sought feedback in terms of the frequency of AML/CFT Advisory Group meetings, and in particular whether quarterly meetings were sufficient, or if bi-monthly meetings would be preferable to members. Following discussion, it was agreed that quarterly meetings were sufficient and should remain in place.

b) Department of Economic Development

The DED's Head of Financial Services summarised a recent announcement that there will be a new structure and focus to the Department following the conclusion of a strategic review. In particular, the Group noted six key recommendations of the review as follows:

- DED should remain in place
- DED should be renamed the Department for Enterprise
- An Economic Strategy and Policy function should be developed
- Four new Business Development Agencies should be developed:
 - Finance; Digital; Business; Visit
- Four principal Registries should remain in the Department:
 - Companies; Central; Ship; Aircraft
- A number of existing functions will move where additional public value can be created:
 - Management of the Villa Marina and Gaiety Theatre to the Department of Education and Children
 - Training Services to Department of Education and Children
 - Employment Services to Treasury's Social Security Division
 - Energy policy to the Department of Environment, Food and Agriculture
 - Mining and Minerals to the Department of Infrastructure

A planned, phased roll-out of the new structure is anticipated to begin in October 2017.

c) Fraud Act 2017

It was noted that the Fraud Act 2017 received Royal Assent at the July 2017 sitting of Tynwald.

036/17 DATE OF NEXT MEETING

11.00am – 12.00pm, Thursday 5 October 2017.

The meeting closed at 3.02pm


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Head of AML/CFT Policy Office, Cabinet Office

5 October
2017 Date

