

## MINUTES

### MINUTES OF THE MEETING OF THE AML/CFT ADVISORY GROUP HELD AT 10:30AM, TUESDAY 19<sup>th</sup> SEPTEMBER 2023 IN THE KING ORRY ROOM, GOVERNMENT OFFICE

#### Present:

Paul Heckles, AML/CFT Advisor, Cabinet Office (Chair)  
Shannon Reid, AML/CFT Policy Manager, Cabinet Office  
Kathryn Simms, Head of AML/CFT Policy, Cabinet Office (via Teams)  
Anna Grigorova, AML/CFT Policy Co-ordinator (Minutes)  
Bill Mummery, Director, Chamber of Commerce  
Juan Moore, President, Chartered Governance Institute  
Kevin Taylor, Compliance Committee Chair, Isle of Man Insurance Association  
Beckie O'Brien, Inspector, Gambling Supervision Commission  
Nicola Libreri, Senior Inspector, Gambling Supervision Commission  
Nicola Skillicorn, Deputy Assessor of Income Tax, Income Tax Division  
Clair Barks, Deputy Chief Executive Officer, Department of Home Affairs (via Teams)  
Linda Watts, Director, International Co-Operation and Asset Recovery Team, Attorney General's Chambers (via Teams)  
Audrey Butterworth, Representative, Bankers Association (via Teams)  
Graeme Snape, Alliance of Isle of Man Compliance Professionals (via Teams)  
Lucie Kennedy, Team Leader – Legislation & Policy, Customs & Excise (via Teams)  
Ian Spence, Head of AML/CFT Division, IOM Financial Services Authority (via Teams)  
Chris Wilson, Representative, CoinCorner  
Katie Errock, Representative, Chartered Institute for Securities & Investment (via Teams)  
Mark Gleave, Assistant Manager, AML/CFT Division, IOM Financial Services Authority  
Terry Stephen, Financial Intelligence Officer, Financial Intelligence Unit  
Sinead O'Connor, Representative, IoM Captive Association and IOM Law Society  
Dougie Elliott, Isle of Man's Association of Pension Scheme Providers  
Katherine Garrod, Representative, IOM Wealth & Fund Services Association  
Jon Barwood, Representative, Financial Planners & Insurance Brokers Association  
Emma Wild, Financial Intelligence Officer, Financial Intelligence Unit  
Ashley White, Senior Manager of the AML/CFT Division, Financial Services Authority  
Pat Brogan, Representative, Association of Corporate Service Providers

#### Apologies:

Leslie Foster, Representative, IOM Society of Chartered Accountants  
Elisabeth Rattigan, Legal Officer, International Co-Operation and Asset Recovery Team, Attorney General's Chambers  
Erica Humphries, Anti-Bribery and Corruption Project Manager, Cabinet Office  
John Atherton, Association of Corporate Service Providers  
Caroline Lomas, Representative, IOM Banking Association  
Jed Bibby, Superintendent/Head of Financial Crime, Isle of Man Constabulary  
Andrew Gosnell, Senior Risk and Compliance Officer, IOM Post Office  
Claire Milne, Representative, Institute of Directors  
Richard Carter, International Cooperation Officer, Income Tax Division  
Ros Lynch, Head of SPI Strategy, IOM Financial Services Authority

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### **34/23 APOLOGIES / INTRODUCTIONS**

The Chair noted the apologies received.

### **35/23 MINUTES OF AML/CFT ADVISORY GROUP MEETING HELD ON 18<sup>th</sup> JULY 2023**

The Chair apologised for the delay in circulating the minutes of the AML/CFT Advisory Group ("the Group") meeting held on 18<sup>th</sup> July and said that they would be available in due course.

### **36/23 MATTERS ARISING FROM THE MINUTES**

No matters arising from the previous minutes.

### **37/23 THE NEW FIU FEEDBACK TO MLROs FEATURE (FIU)**

The Financial Intelligence Officer, Financial Intelligence Unit (FIU) said that as part of the continuing improvements, the FIU had established a new feedback feature for when MLROs were submitting SARs. The new feature aimed to standardise the process and provide better guidance and assistance to the reporting entities.

The scoring system would also provide an improvement to the submission of disclosures and to better evidence the effectiveness of the SAR regime. The scoring would also be part of the next quarter statistical data presented by the FIU. The new feature would also assist with identifying gaps or areas where further training was required. Further information regarding the new feature in Themis could be found in this link -> <https://www.fiu.im/news/feedback-to-mlros/>

### **38/23 OVERVIEW OF GSC SUPERVISORY APPROACH (GSC)**

The Senior Inspector of AML CFT Inspections within the Gambling Supervision Commission (GSC) gave a presentation on the risk based supervisory approach. She said that the GSC had undergone a restructure splitting into four separate divisions. She mainly focused the presentation on the online sector as the GSC recognised that this was the area with more AML/CFT risk exposure. Within the new separate divisions the operations division would contain all corporate governance areas. The New Business Division will carry out entry controls around licensing approvals, the General Supervision Division would focus on the ongoing relationship management with the license holders.

The fourth Division, AML/CFT Inspections and Enforcement had recently split into three separate subdivisions – AML/CFT Inspections (increased to 5 inspectors), Enforcement and AML/CFT Policy & Outreach. The Senior Inspector of the GSC said that the importance of regular outreach with Industry was recognised. The outreach focus would be on AML/CFT feedback from supervision.

She continued saying that AML/CFT inspections were driven by ongoing risk assessments which include various factors both inherent and dynamic and outlined the factors that were inherent. Dynamic risk was fed into by intelligence, ongoing supervision of AML/CFT returns and results from AML/CFT inspections all of which drives the inspection frequency. The overall risk would then feed back into the GSC understanding of the risks profile of the sector. All those controls were put in place to make sure that even though that business was inherently risky, if it was well controlled and while supervised then it wouldn't need to be inspected as much.

AML/CFT inspections were ongoing and all licence holders received an onsite inspection and a desktop review which would include a self-assessment of technical compliance.

The Representative, Association of Corporate Service Providers asked how Corporate Service Providers that were providing gambling services were dual supervised.

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The Senior Manager of AML/CFT Division, Financial Services Authority (FSA) clarified that if a service provider had a client company that was regulated, it would count as both being regulated entities. Each must meet the code requirements separately, even if it was the same people involved, so it was similar to a corporate service providers having a business, which was, actually a client company looked after by the GSC.

### **39/23 TRAVEL RULE UPDATES (FSA)**

The Senior Manager of the AML/CFT Division, FSA, said that the United Kingdom had implemented the Travel Rule on 1<sup>st</sup> September. She added that the FSA had been working closely with Industry to draft a Code to implement the Travel Rule. Numerous meetings and workshops had been held.

There would be a six to eight week Consultation, depending on the timing of the publication and within that Consultation, there would be a few tweaks to schedule four from the Proceeds of Crime Act and schedule one from the Designated Business Registration and Oversight Act. The existing legislation refers to convertible virtual currency whereas the FSA would be moving to the internationally used term "VASP" (Virtual Asset Service Provider). The biggest change across those schedules is a terminology change.

Wire Transfer Regulations had been in place already however, there was no Civil Penalty Regime. It was hoped that once both Codes were implemented the Island would be fully compliant in FATF, Recommendation 16. The next working group with Industry would be in September.

### **40/23 RISK ASSESSMENTS, STRATEGIES & POLICIES (CO)**

#### Financial Crime Strategy Update

The ABC Project Manager, Cabinet Office advised that the Financial Crime Strategy for 2024-2026 had been drafted and industry consultation opened. A key element of the Strategy was that it adopted a "one-Island approach"; Government and industry working collaboratively to tackle financial crime in all its forms. Therefore the feedback from Industry partners was incredibly important. It was noted that there would also be a review of the delivery of the 2021-2023 Strategy. The Financial Crime Strategy actions and any that had arisen from the Consultation process would be pulled together into a national action plan and it would set out a road map going forward from 2024.

#### National Risk Assessments/Sectorial Risk Assessments

The ABC Project Manager, Cabinet Office noted that Government had previously worked closely with Industry in pulling together the National Risk Assessment (2020). The process to update the National Risk Assessment had commenced, and the AML/CFT Policy Office had commenced the process to begin completing a number of sectoral and topical risk assessments which would feed into a comprehensive, all-encompassing National Risk Assessment (an update to the 2020 NRA). She highlighted that to get this up and running substantial work would be required as risk assessments would take months at a time to complete and require cross-agency and Industry involvement.

### **41/23 ISLE OF MAN GOVERNMENT AML/CFT OUTREACH AND ENGAGEMENT**

The AML/CFT Policy Manager said that the AML/CFT Central Webpage was up and running and this would be one stop shop for AML matters. The intention was to soon publish details for any upcoming sessions and any suggestions from members were welcomed.

She added further that a few of the outreach sessions were in the process of being organised which would initially focus on an introduction to the AML/CFT Policy Office, the future plans in terms of working towards improving the overall effectiveness of the islands AML/CFT regime and to generally open lines of dialogue.

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The representative from the AICP asked how Government's AML outreach would dovetail with the Financial Services Authority and Gambling Supervision Commission outreach programmes and that consistent guidance was delivered/provided.

The AML/CFT Policy Manager, Cabinet Office clarified that AML/CFT Policy Office meet with the Agencies, including the regulatory bodies on a monthly basis and outreach was one of the subjects that was in those regular meetings. All government agencies were coordinated in this approach and liaise regularly.

### 42/23 AOB

The AML/CFT Advisor, Cabinet Office advised that there had been no firm confirmation on the date of the Evaluation date. It was believed that this could be as early as the end of 2025 or the spring of 2026. He hoped that there would be an indication of a date during the December Plenary, however this was not for definite.

#### Sanctions

The AML/CFT Policy Manager, Cabinet Office briefed members on the progress of the Sanctions Operations Group. She said that a number of actions in that group had been worked through. One of them was to seek feedback from Industry on how useful any kind of sanctions related guidance and typologies were. She noted a number of documents which would be circulated to the Advisory Group Members in due course and asked that members and their professional bodies provided feedback on said documents.

Team Leader – Legislation & Policy, Customs & Excise advised that the Russian sanctions guidance had been amended in relation to regulation 54C. There had been some queries from TCSP's who were looking to understand the impact of that regulation on them. She added further that there would be some tweaks to the exemptions in the next quarter and further information would be shared when available.

#### The Crypto Asset Reporting Framework

The Deputy Assessor, Income Tax Division highlighted that on the 8<sup>th</sup> June 2023, the *OECD* (Organisation for Economic Cooperation and Development) Council adopted a recommendation regarding international standards for automatic exchange of information which required jurisdictions including the Isle of Man to make a series of amendments to the Common Reporting Standards, which Isle of Man had been a part of since 2014. The new amendment was also introducing a new automatic exchange information framework for reporting crypto - The Crypto Asset Reporting Framework. The Income Tax Division was taking that work forward and would seek input for new members to join AEOI (Automatic Exchange of Information) Working Group from the crypto sector. She welcomed members who were interested in joining that group to assist and to look at what this framework means for the Island, and asked if anyone would like to volunteer.

#### Proliferation Risk Assessment

The Representative, IoM Captive Association and IOM Law Society Need asked for some clarity on proliferation risk since it had been specifically mentioned. She asked if it needed to be specifically referenced in the Business Risk Assessment and if businesses would need to specify if they had a Proliferation Risk Framework.

The Team Leader - Legislation & Policy, Customs & Excise clarified that the FATF Standards were focusing on the implementation of UN Security Council Resolutions, specifically Proliferation Sanctions; namely asset freezes in relation to North Korea and Iran. When businesses were looking

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at their own Risk Assessments, they would need to make sure that the asset freezes had been implemented at the right time in relation to sanctioned individuals. This would be very similar to each business' normal sanctions procedures and Policies and that those particular UN sanctions were included within the sanctions screening process.

### Themis Update

The Financial Intelligence Officer, FIU gave a quick update on the new MLRO feedback tool which would be released in the coming week. Once the tool was released, Industry would be given guidance and other useful resources on how the new tool would work.

### Strix

The Senior Manager of the AML/CFT Division, FSA gave an update on the new system – Strix. The new risk analysis tool would be operational in both the Gambling Supervision Commission and Financial Services Authority with a purpose of assessing the risk within financial institutions and designated businesses. The FSA would engage in communication with Industry over the next quarter to explain the new system to licence holders. The aim was that the Regulators would be moving the AML/CFT data within the statistical returns onto the new system from 2024. The outreach regarding the new system would comprise of workshops, webinars and guidance.

### **43/23 Date of next meeting**

Tuesday, 21st November, King Orry Room, Cabinet Office, 3rd Floor Government Offices, Bucks Road



(Chair)

21/11/2023

Date

