

BRIEFING NOTE

MONEYVAL Mutual Evaluation Report of the Isle of Man

Cabinet Office, 27 January 2017

Introduction

This briefing note provides a summary of the MONEYVAL 5th Round Mutual Evaluation Report of the Isle of Man ("the Report") which was published on the MONEYVAL website on 27 January 2017 [here](#). The Report is an independent audit which will help the IoM ensure its compliance with the latest global standards on Anti-Money Laundering and the Countering the Financing of Terrorism (AML/CFT), and so protect our reputation as a responsible and respected centre for international business. There is much to consider in this document and the IoM Government will be carefully working through its recommendations in conjunction with the business community.

The Report details the AML/CFT measures in place in the IoM as at the date of the MONEYVAL on-site visit which took place from 25 April - 6 May 2016. It analyses the level of technical compliance with the [40 FATF Recommendations](#) and the level of effectiveness of the IoM's AML/CFT system. The Report also provides recommendations on how the system could be strengthened.

The Report is robust but generally in line with the findings of the [IoM's National Risk Assessment](#) ("NRA") which was published in March 2016.

Effectiveness Ratings

The assessment process considers how well a country is using the legislation and guidance which is in place to tackle money laundering and the financing of terrorism. This is known as 'Effectiveness'. There are 11 areas of Effectiveness which are measured by MONEYVAL and they are referred to as 'Immediate Outcomes' or IOs. Each IO is assigned an Effectiveness rating and there are four ratings as follows: High; Substantial; Moderate and Low.

The IoM received 2 Substantial ratings, 6 Moderate ratings and 3 Low ratings.

SUBSTANTIAL levels of Effectiveness

MONEYVAL identified two areas as having Substantial levels of Effectiveness.

For Risk Assessment, Policy and Coordination (IO1) the IoM's National Risk Assessment was well regarded on the whole, in addition to the [IoM's AML/CFT National Strategy 2016-18](#). This outcome represents a positive recognition for IoM business which played a key role in contributing to the development of the NRA. In terms of improvements, Government recognises that further work needs to be undertaken on the collection and analysis of data needed for future NRAs and for other AML/CFT purposes and this work is already underway within the Cabinet Office.

In terms of International Cooperation (IO2) MONEYVAL recognises that the IoM provides constructive and timely mutual legal assistance and international cooperation. However the low number of outgoing requests for assistance was recognised as a weakness.

MODERATE levels of Effectiveness

MONEYVAL identified six areas as having Moderate levels of Effectiveness.

In terms of Supervision (IO3) MONEYVAL noted the IoM's active approach. The report highlights that the Gambling Supervision Commission (GSC) requires some additional powers and the IoM

Financial Services Authority (IOMFSA) has further operational refinements to make in some areas.

In respect of Preventive Measures (IO4) MONEYVAL notes that businesses evidenced their knowledge of AML/CFT and applied a risk-based approach. There were a number of areas raised by the MONEYVAL assessors which have resulted in recommended actions. These will be discussed with business in further detail.

Beneficial Ownership (IO5) was regarded quite positively but some deficiencies were noted by the assessors. The Government is already progressing a Beneficial Ownership Bill.

In terms of Terrorist Financing Investigation and Prosecution (IO9), Terrorist Financing Preventive Measures and Financial Sanctions (IO10) and Proliferation Financial Sanctions (IO11) the IoM's close working relationship with the UK on CFT was highlighted, in addition to the introduction of a regulatory regime for non-profit organisations (NPOs) and the efforts of industry. Recommendations included the adoption of a CFT strategy; enhanced capacity of law enforcement for TF; more guidance, outreach and supervision for industry, and better lines of communication between competent authorities.

LOW levels of Effectiveness

MONEYVAL identified three areas as having Low levels of Effectiveness.

Government recognises that fundamental improvements are needed in these three areas, which were initially identified in the NRA.

The report highlights that in terms of Financial Intelligence (IO6) the Financial Intelligence Unit ("FIU") has had limited effectiveness in gathering, analysing and disseminating intelligence which has had a cascading effect on the rest of law enforcement.

In terms of Money Laundering Investigations and Prosecutions (IO7) the report recommends that a clear criminal justice policy is developed in this area to strengthen the IoM's level of Effectiveness. The need to systematically harvest intelligence from incoming requests for mutual legal assistance in order to consider money laundering suspicions in the IoM is also highlighted.

Technical Compliance Ratings

Technical Compliance refers to whether a country has in place the required legislation and guidance to criminalise money laundering and the financing of terrorism and proliferation and to enable the relevant authorities to work together domestically and internationally to achieve this. Technical Compliance is measured against the 40 FATF Recommendations which are the international standards in these areas. One of four ratings can be given to each Recommendation as follows: Compliant; Largely Compliant; Partially Compliant or Non-Compliant.

The IoM received 10 Compliant (C) ratings, 25 Largely Compliant (LC) ratings; 5 Partially Compliant (PC) ratings and no Non-Compliant (NC) ratings.

Overall the Technical Compliance ratings for the IoM are strong; further work is required to address the five Recommendations which were rated as Partially Compliant and this is already underway in a number of areas.

Next steps

All assessed countries are subject to regular follow-up procedures. However, countries which do not secure sufficient Effective or Technical Compliance ratings will be placed into "enhanced

follow-up” procedures. Most countries which have been assessed under this new round to date are in enhanced follow-up procedures, including the IoM.

The IoM is in enhanced follow-up because of the number of Low and Moderate ratings awarded for Effectiveness. Other countries have also experienced challenges in respect of Effectiveness although some jurisdictions have also struggled with Technical Compliance issues.

The IoM will now be submitting a report on the progress being made on the recommendations within the report ahead of the first MONEYVAL Plenary meeting of 2018, which is expected to take place in April or May of that year. Further progress reports are then required on an annual basis until the next on-site MONEYVAL evaluation which is currently expected to take place in 2021. The IoM can request a move from the enhanced follow-up process to the regular follow-up process, when it considers that it can evidence sufficient progress to MONEYVAL.

In terms of neighbouring jurisdictions, the Report on the Republic of Ireland is expected to be published in June 2017 and the UK evaluation is scheduled to begin at the end of 2017.

IoM Government Response

The Council of Ministers has set out its firm commitment to responding to MONEYVAL as part of its [Programme for Government 2016-21](#) which was published in January 2017.

The Government plans to prioritise improvements in areas rated as having Low or Moderate Effectiveness, in addition to addressing improvements in other areas. Furthermore, the IoM’s National AML/CFT Strategy is being revised and updated with a prioritised action plan for authorities. In addition, the IoM’s National Risk Assessment will be revised and updated in due course. Industry will be consulted throughout.

It is recognised that a number of measures have already been established (e.g. Financial Intelligence Unit) or are in hand (e.g. Asset Recovery Unit). Furthermore, legislation which is already planned including the Beneficial Ownership Bill and the Anti-Money Laundering (Gambling) Bill will further contribute to improved levels of Effectiveness.

The IoM Financial Services Authority and the Gambling Supervision Commission are organising events for industry to consider the implications of the Report in further detail, and extensive consultation with the business sector will be a key feature as the IoM moves forward.

Further information

The MONEYVAL Mutual Evaluation Report of the Isle of Man is published on MONEYVAL’s website here:

[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round5/MONEYVAL\(2016\)25_5thR_MER_Isle%20of%20Man.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round5/MONEYVAL(2016)25_5thR_MER_Isle%20of%20Man.pdf)

Details of MONEYVAL’s enhanced follow-up procedures can be found at Rule 23 of “MONEYVAL’s Rules of Procedure for the 5th Round of Mutual Evaluations” here:

[https://www.coe.int/t/dghl/monitoring/moneyval/About/MONEYVAL\(2014\)36REV3_ROP5th_en.pdf](https://www.coe.int/t/dghl/monitoring/moneyval/About/MONEYVAL(2014)36REV3_ROP5th_en.pdf)

All MONEYVAL Mutual Evaluation Reports are published on MONEYVAL’s jurisdictional webpages here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Country_profiles_en.asp

All global Mutual Evaluation Reports (including MONEYVAL’s MERs) are published on the FATF website here:

[http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&s=desc(fatf_releasedate))