

AML/CFT Division Update

Ian Spence – Head of AML/CFT
Ashley Whyte – Senior Manager AML/CFT

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FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin

Agenda

- ✓ Revised Guidance
- ✓ Ongoing AML/CFT initiatives
- ✓ Questions



Setting the scene...

- ✓ Current legislation - AML/CFT Code 2019
- ✓ Old guidance – not refreshed for a number of years
- ✓ Industry feedback – too long / not clear in areas / too prescriptive (but also not enough!)
- ✓ International standards / jurisdictional research
- ✓ Time for a rewrite!



Structure of AML/CFT Publications

✓	Multi level approach
✓	Guidance - sets out the Authority's expectations – the Handbook
✓	Sector guidance –tailored to specific sectors
✓	Supplemental Information document– examples / ideas to support those relevant persons that need it
✓	Guidance is not legislation nor legal advice, but is <u>persuasive</u>
✓	Supplemental information is to assist - it not intended to be persuasive



Example:

3.4.2 New business relationships and occasional transactions

Code
8(1),
11(1)

8 New business relationships / 11 Occasional transactions

(1) A relevant person must, in relation to each new business relationship / an occasional transaction, establish, record, maintain and operate the procedures and controls specified in sub-paragraph (3).

Code
8(3),
11(5), 15

8 New business relationships / 11 Occasional transactions

(3) Those procedures and controls are –

- (a) identifying the customer;
- (b) verifying the identity of the customer using reliable, independent source documents, data or information;
- (c) verifying the legal status of the customer using reliable, independent source documents, data or information;
- (d) obtaining information on the nature and intended purpose of the business relationship / occasional transaction; and
- (e) take reasonable measures to establish the source of funds, including where the funds are received from an account not in the name of the customer -
 - (i) understanding and recording the reasons for this;
 - (ii) identifying the account holder and on the basis of materiality and risk of ML/FT taking reasonable measures to verify the identity of the account holder(s) using reliable, independent source documents, data or information; and
 - (iii) if the account holder is assessed as posing a higher risk of ML/FT, satisfying the requirements in paragraph 15

Code
8(3), 10,
12

Due to the similarity of requirements at paragraph 8(3) with those of other Code paragraphs (such as paragraphs 10 and 12), detailed guidance on each of the requirements 8(3)(a) to (e) is as follows:

Identifying the customer – see section 3.5;

Verifying identity and legal status – see section 3.6;

Nature and intended purpose of the business relationship – see section 3.7; and

Source of funds – see section 3.8.

Code 14,
15

For higher risk customers, additional procedures may be needed. Guidance on ECDD is at section 3.4.7 and guidance on customers where there are PEPs is at section 3.8.8.

Code
3(1),
11(4),
11(5)

Section 4.1 provides details of “exempted occasional transactions” to which certain requirements of Code paragraph 11 may not apply in certain circumstances.

Code
8(2), (4),
11(2)

The timing for when these procedures must be undertaken, including exceptions, is set out in the Code, see section 3.4.8.



Minimum standards table



The following table provides a high level summary of the minimum CDD requirements depending on the risk category of customer. It should be used in conjunction with the relevant parts of this Handbook.

	Lower and Standard Risk (CDD) (Code paras 8, 11, 12, 13)	Higher Risk (CDD and ECDD)(EDD) (Code para 15)	Foreign PEPs & Higher Risk Domestic PEPs (Code para 14 and 15 where applicable)
Identification information (Customer)	Required before or during the formation of the relationship	Consider additional information and verification in addition to standard CDD requirements. As well as further research where considered necessary, in order to understand the background of a customer and their business.	As per standard or higher risk as determined by risk assessment.
Verification of that information (Customer)	Generally required before or during the formation of the relationship, but in very limited circumstances may be undertaken following the establishment of the business relationship		
Identification information (Underlying customer, persons acting on behalf of, beneficial owners)	Required before or during the formation of the relationship		
Verification of that information (Underlying customer, persons acting on behalf of, beneficial owners, legal status)	Reasonable measures generally required before or during the formation of the relationship, but in very limited circumstances may be undertaken following the establishment of the business relationship		
Purpose / intended nature of relationship	Required before or during the formation of the relationship	Required before or during the formation of the relationship	
Source of Funds	Reasonable measures to establish	Reasonable measures to establish	



Risk based approach



Paragraph 4(2) AML/CFT Code

(2) The procedures and controls referred to in sub-paragraph (1) must —

- a) have regard to the materiality and risk of ML/FT including whether a customer, beneficial owner, beneficiary, introducer or eligible introducer poses a higher risk of ML/FT;
- b) enable the relevant person to manage and mitigate the risks of ML/FT that have been identified by the relevant person when carrying out the requirements of this Code; and
- c) be approved by the senior management of the relevant person.



Involvement of other agencies

- Aim – to avoid repetition
- Leave it to the agency that is the “expert”
- Customs and Excise publish sanctions, TF/PF guidance
- FIU publications - including SAR guidance
- Cabinet Office publications such as NRA & Financial Crime Strategy
- We will continue to refer to these documents on the Guidance page of our website



Timetable



✓	Published core Handbook	23 July 2021
✓	Publication of Supplemental Information Document	30 July 2021
✓	Publication of sector guidance (18 documents)	Throughout August 2021





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AML/CFT Requirements and Guidance

This page sets out details of the Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") requirements and guidance for persons, entities and arrangements which are regulated under the following Acts:

- [Financial Services Act 2008](#);
- [Insurance Act 2008](#);
- [Retirement Benefits Schemes Act 2000](#); and
- [Designated Businesses \(Registration and Oversight\) Act 2015](#).

Please click the headings below for more information.

Also, in order to assist relevant persons in fulfilling their training obligations under the AML/CFT legislation the Authority arranges, from time to time, Anti-Money Laundering and Countering the Financing of Terrorism seminars details of which are usually published on this website.

Any queries in relation to the AML/CFT requirements and associated guidance may be directed to aml@iomfsa.im

AML/CFT Handbook - Main Body



Sector Specific - FSA08



Sector Specific - IA08



Sector Specific - RBSA00



OVERVIEW

BACKGROUND

SANCTIONS NOTICES

USEFUL LINKS

AML/CFT LEGISLATION

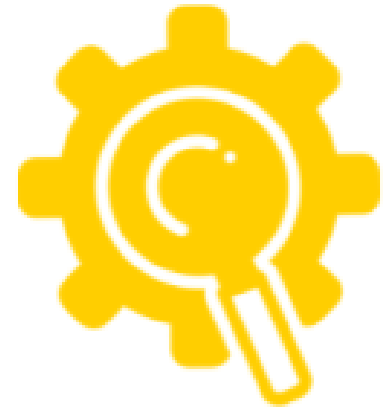
INTERNATIONAL PERSPECTIVE

OTHER INITIATIVES

SECTOR REPORTS



Using it in practice



- ✓ Plan and implement any internal changes needed
- ✓ Has the risk been assessed – BRA / CRA / TRA?
- ✓ Are any changes needed to the current risk assessments?
- ✓ Remember - risk based procedures – signed off by Senior Management
- ✓ Remember – has what has been done been documented and justified (show working)



Feedback

- ✓ Industry feedback
- ✓ Additional detail needed in supplemental information
- ✓ Usability of document
- ✓ Additional sessions needed – topics
- ✓ Meetings with professional bodies



Other initiatives



- ✓ PEP Thematic exercise
 - Annual AML/CFT returns data and analysis
 - Authority to consider how best to deliver and embed AML/CFT work in the Authority across the supervisory divisions covering multiple business sectors
 - Authority to work with CoReg as they get new powers in relation to the BO database
 - IOM authorities likely to be looking at Bribery and Corruption risks and strategy





Contact
aml@iomfsa.im

