

AML Focus

MARCH 2024

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Keeping you informed

Welcome to the first edition of a newsletter showcasing the work taking place at the Authority in relation to Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) supervision.

There will be two such publications each year to provide you with an insight into recent developments, a progress report on ongoing projects, and a flavour of what's in pipeline in terms of future thematic reviews, industry events, data requests, and other outreach.

We'll also keep you up to date on preparations for the next MONEYVAL evaluation and how we are collaborating with industry and the Government to ensure the Isle of Man is well placed to demonstrate the effectiveness of its AML/CFT framework.

By working together we can build evidence to

help secure a positive outcome and play our part in maintaining the Island's reputation as an excellent place to do business.

Of course, it's not just about preparing for MONEYVAL. Combatting financial crime is a 24/7, 365-days-a-year undertaking and our AML/CFT engagement plans align with the Authority's risk-based approach to supervision. We'll continue to publish the findings of our reviews, share best practice, and publish anonymised case studies in our reports where possible to help firms meet their obligations in respect of the AML/CFT Code.

We also want to hear from you. If you have any comments or questions, please send an email to the team at aml@iomfsa.im

Ashley Whyte
Head of AML/CFT Supervision Division



Providing insight into our direction of travel

We are planning a twice-yearly, in-person forum to further enhance our interaction with industry.

For the first event, which is scheduled for 18 April at the Manx Museum, our CEO Bettina Roth has extended a personal invitation to selected Island CEOs and Managing Directors.

The intention is to deliver a short presentation to highlight our current and future plans, before hosting an open Q&A session with a panel of senior officers from the Authority.

The April forum will provide an ideal platform for us to impress upon business leaders the importance of a properly resourced and supported compliance function.

We will explain the need for a strong culture of corporate governance, for compliance to be a priority, and for firms to

continually test their internal regimes. This will be pitched in the context of our ongoing AML/CFT supervision, as well as preparations for the Island's next MONEYVAL evaluation. We'll prepare the ground for what's coming down the tracks, such as additional data requests and forthcoming thematic reviews.

There will be opportunities for CEOs and Directors to chat more informally to our officers before and after the main presentation to raise any issues or queries they may have.

While the Museum events will be themed and therefore targeted towards specific individuals, groups or sectors, we will record proceedings and share the videos online with all our regulated and registered firms. Further topics will be announced in due course.

Enhancing understanding and strengthening outreach

■ Joint workshops on relevant topics

We are maintaining a busy programme of engagement with industry with a view to enhancing mutual understanding, strengthening outreach, and supporting capacity-building.

We are seeking to respond constructively to what finance sector professionals have been telling us about the challenges they are facing, particularly in respect of compliance.

Following positive meetings with the Alliance of Isle of Man Compliance Professionals (AICP), discussions are continuing with a view to jointly organising a series of workshops on relevant topics. We intend to kick-start this collaboration with a session on 'introduced business' to talk through the requirements of the Code, highlight best practice, and discuss examples provided by AICP members.

Another workshop that's being planned will take a broader look at the compliance framework and the role of the compliance specialist. This will cover important themes such as a firm's culture, its risk and control environment, testing the framework, and escalating findings where appropriate.

We hope the content and scenarios highlighted in these joint workshops will provide practical support and guidance for compliance professionals. A webinar covering material featured in the workshops will be published online for all regulated and registered firms in order to share best practice across different sectors.





Responses sought to consultations

■ Proposed changes to enhance framework

As part of the continued drive to enhance the Island's AML/CFT regime, the Authority has been working on a number of proposed updates aimed at better aligning our framework with globally-recognised standards.

The Authority, in conjunction with the Department of Home Affairs (DHA) and the Treasury, has issued a [consultation inviting feedback](#) on potential amendments to Schedule 1 to the Designated Businesses (Registration and Oversight) Act 2015 (DBROA) and Schedule 4 to the Proceeds of Crime Act 2008 (POCA).

These are two key pieces of AML/CFT legislation, covering sectors that are subject to our registration regime under the DBROA, and defining the activities that fall within the requirements of the AML/CFT Code 2019 pursuant to POCA.

The AML/CFT landscape is always evolving and an area of significant development in the Island over recent years has been the Virtual Asset sector, which is overseen by the Authority for AML/CFT purposes.

With the increase in activity internationally, the need for tighter controls on the movement of virtual assets has become more apparent. The Authority, in conjunction with the DHA, has issued a public consultation on a proposal to [implement a Travel Rule](#) (Transfer of Virtual Assets) Code 2024 (Travel Rule Code).

The Travel Rule Code, like wire transfer regulations used in Banks, will ensure that entities engaged in virtual asset activities are required to obtain and share certain identification information on the originators and beneficiaries that are party to a virtual asset transaction.

The introduction of the Travel Rule Code will also ensure the Island meets key international standards as we move towards our next MONEYVAL mutual evaluation.

The Authority is seeking responses to both consultations to inform changes that will improve international compliance, clarity and consistency across the Island's AML/CFT framework.

The deadline for feedback to both consultations is 15 April 2024.

Embedding an updated approach to supervision

The Authority is continuing to embed an updated approach to supervision to ensure we operate as efficiently and effectively as possible into the future.

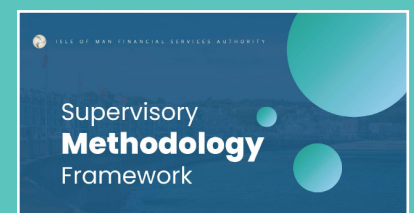
The intention is to concentrate the Authority's resources on the biggest threats to our objectives of protecting consumers, reducing financial crime, and maintaining confidence in the financial services sector.

The Supervisory Methodology Framework sets out the steps we are taking to transition from a predominantly sector-based approach to a more risk-led model in respect of AML/CFT.

Our work will be underpinned by the increased use of data and technology, including the STRIX data collection and assessment system, leading to further automation, straight-through processing, and exception reporting

We believe the changes will achieve better outcomes by driving a consistent, proactive, and value-added programme of supervisory engagement.

We have implemented a revised organisational structure to support the updated supervisory methodology, with a joined up and collaborative approach across all our divisions.



[Link: View the Supervisory Methodology Framework](#)

Data is the lifeblood of a financial regulator

Data is the lifeblood of a financial regulator. Everything we do depends on the information we collect – and how we use it.

Data from a variety of different sources – including returns, thematic reviews and inspections – informs our understanding of the inherent risks posed by firms and sectors, and supports our risk-based approach to AML/CFT supervision.

Some information also relates to a firm's control environment. The information that must be reported depends on the type of activity a firm undertakes. Key areas of focus include:

- The jurisdictional risk profile of the customer base and ultimate beneficial owners
- The extent of non-face to face and introduced business undertaken by firms
- Identification and reporting of suspicious activity for both money laundering and terrorist financing
- Monitoring and screening processes adopted, including for sanctions
- How firms categorise customer risk
- The level of politically exposed persons in the system, and how these are identified
- The compliance and internal audit mechanisms
- Outsourcing of AML/CFT processes
- The payment methods accepted by firms in relation to incoming and outgoing transfers
- The types of client or product/services provided.

The data also underpins the Island's understanding of the wider financial crime environment and forms a key part of the National Risk Assessment process.



Informing our picture of risk

■ Embracing technology to drive efficiency

We are on a journey to utilise technology to future-proof the Authority and ensure we operate as efficiently as possible.

Atlas, our central back-office system, has been complemented by the introduction of a data warehouse. This allows for automated exception reporting, while the use of new analytics and reporting tools, data visualisation, and dashboards enables us to identify trends and outliers.

As well as generating internal efficiencies, better use of technology enhances our interaction with Island firms.

A major element of the compliance obligations placed on Island firms comes as a result of international requirements, so is often beyond our direct control. However, we will continue to look at ways to streamline data collection, automate processes, and avoid duplication in order to make processes more efficient where possible.

We are excited to have rolled out our new data collection and risk

assessment tool to support AML/CFT supervision. We believe that STRIX will be a game changer. The software solution has been developed in line with FATF recommendations and will enable us to gain a deeper understanding of AML/CFT risk.

This aligns with our data-led and risk-based approach to supervision. It also supports our ability to concentrate the Authority's resources on firms and sectors that pose the biggest threats.

The benefits of STRIX include the streamlining of data collection and analysis, and greater automation of the risk assessment process – including the identification of firms with an elevated ML/TF risk.

We are sorry that some people's first experience of the new system was a frustrating one. We did not anticipate the large number of firms requesting additional users, which unfortunately resulted in delays.

Thank you for the patience you showed while we addressed the technical issues and cleared the backlog.

CEO Bettina Roth, senior officers from our AML/CFT Division, and members of the FIU travelled to Latvia in February to witness first-hand how the country is preparing for its sixth-round evaluation by MONEYVAL.

The Isle of Man delegation was hosted by the Latvijas Banka (the Latvian regulator) and the Latvian FIU for two days of meetings, which included discussions around supervisory practices, purpose, external engagement, and the positive impact of proportionate and effective regulation in combating financial crime.

Fact-finding visit to Latvia regulator



Staying alert to emerging threats and opportunities

■ Everyone needs to support preparations for MONEYVAL evaluation

One of the crucial functions performed by members of our Board and senior executive team is risk horizon scanning. We look to the future to stay alert to emerging threats and opportunities.

There can be little doubt that the Island's next MONEYVAL evaluation is one such challenge on our horizon.

While combatting Money Laundering, Terrorist Financing, and Proliferation Financing is a constant, year-round commitment, there is no escaping the fact that the outcome of the MONEYVAL assessment will be crucial to the nation's economic well-being.

'Grey-listing' could potentially hit the Isle of Man's GDP by up to 20%, and result in significant reputational damage.

The standard for compliance will be much higher than before and we must join together to provide solid evidence of the effectiveness of the Island's AML/CFT regime. Work is already well under way across many Government departments and boards to collate the necessary data.



Firms can play their part by:

- Engaging with the outreach activities hosted and published by the Authority
- Responding to consultations
- Raising Suspicious Activity Reports in timely manner
- Complying with requests from all

competent authorities

- Rectifying issues promptly and fully where non-compliance is observed

Building a full body of evidence will enable us to demonstrate to the MONEYVAL assessors that the Isle of Man is continuing to meet international standards.

TCSP report findings highlight best practice

The findings of phase two of the thematic review relating to Trust and Corporate Service Providers have been published on our website.

Desk-based inspections were conducted during 2023 to test the effectiveness of Business Risk Assessments at a total of 70 licenceholders.

Our report includes examples of best practice and anonymised case studies, as well as the Authority's observations on key issues. The data gathered from the desk-based inspections has been analysed in conjunction with the responses to a BRA questionnaire issued to 106 TCSPs during phase one of the review.

In addition to informing our overall picture of risk, the findings have already been used to update the AML/CFT Handbook and sector specific guidance. We would encourage all firms – not just those operating within the TCSP sector – to read the two reports and take the necessary action to ensure their own risk-based compliance regimes are effective, up-to-date, and properly documented.

Ashley Whyte, who has been appointed as the Authority's next Head of the AML/CFT Supervision Division, provided further context and insight into the phase two findings in a presentation at the Manx State of the Nation event, while a recorded webinar has also been published online.

FURTHER READING

[Phase One Report](#)

[Phase Two Report](#)

[BRA webinar](#)

Sanctions review questionnaire

Phase Two of thematic to begin soon



Thank you to all the firms that responded to the initial phase of the Authority's sanctions thematic by completing the questionnaire we issued through STRIX.

This exercise will help to assess compliance with sanctions requirements in line with the AML/CFT Code 2019.

The questionnaire will be followed by a series of onsite inspections at selected firms in order to explore this area in more detail.

Requests for relevant documentation will be sent to regulated entities and designated businesses as part of phase two of the project.

The nature and scale of this review means that notifications, and the involvement of firms, will be staged over a period of time.

Global conflicts, including the war in Ukraine, have heightened awareness of sanctions in recent years and the thematic presents an opportunity to test and evidence how relevant persons are meeting their AML/CFT obligations.

In addition to increased engagement with firms, we hope to identify best practice that can be shared with industry.

The findings will also inform the Authority's wider picture of AML/CFT risk, building on the work undertaken in connection with the foreign PEP, TCSP

BRA, and Accountancy profession CRA thematic projects.

Meanwhile, our colleagues from the Isle of Man Customs and Immigration Division, who are responsible for the implementation of UN and UK financial and economic sanctions, have shared their top three tips for a sanctions compliant environment:

1. Establish, maintain, and operate up-to-date policies and procedures for employees' awareness.
2. Undertake screening and checks using relevant parties' up-to-date name, and keeping informed with materials provided by official bodies (news releases by IOM Customs & Immigration, subscribe to the RSS feed, UK Sanctions List, FCDO, OFAC) and/or private sector organisations (e.g. World-Check, CS, Dow-Jones).
3. Regularly train and update employees, ensuring that training materials and in-house knowledge are kept up-to-date.

FURTHER READING

[Read the Sanctions thematic project press release](#)

[Isle of Man Customs and Immigration's Sanctions Guidance](#)

Improving our delivery of future projects

Thematic reviews continue to be an important part of our supervisory approach, as they provide an effective way to identify common issues and inform our picture of risk across different sectors.

In 2023 we concluded a thematic exercise to evaluate the risks posed to the Isle of Man in relation to foreign Politically Exposed Persons (PEPs). This area is highlighted in the National Risk Assessment as one of the biggest international crime threats facing the Island.

We analysed data and carried out inspections at a small cohort of firms across a range of sectors, including banking, investment business, insurance, TCSPs, fund managers, and designated businesses. The report is published on our website along with a recorded webinar, presentation slides and a Q&A document.

The PEP thematic generated a lot of discussion within industry and we have taken on board that feedback to enhance the planning, management, and delivery of future projects.

We are also continuing to support firms by organising workshops and publishing further guidance for compliance professionals, as highlighted in other articles in this newsletter.

FURTHER READING/VIEWING

Foreign PEP thematic report

Webinar

Presentation

Q&A

Fact sheets to help raise awareness

■ Initiative aims to deliver consistent message

A cross-government agency initiative is helping to enhance industry's and the general public's understanding of Money Laundering (ML), Financing of Terrorism (FT), and Proliferation Financing (PF).

The work is taking place in conjunction with the implementation of the Isle of Man Government's 2024-2026 Financial Crime Strategy.

The Authority has liaised with representatives from the Cabinet Office, Customs and Immigration Division, and Gambling Supervision Commission to create fact sheets for ML, FT and PF, which are now being integrated into various government agency websites.

The content of each fact sheet has been formatted in a user-friendly manner and aims to present up-to-date models and descriptions of ML, FT and PF.

The goal is to deliver a unified message around ML, FT and PF by improving the consistency in financial crime terminology and definitions used across various government agencies.

FINANCING OF TERRORISM

What is the Financing Of Terrorism?

In general terms, the financing of terrorism (FT) is the financial support, in any form, of terrorists or those who encourage, plan or engage in terrorism. It differs from money laundering in that the source of funds can either be legitimate, such as an individual's salary, crowdfunding or charity donations, or legitimate, when the proceeds of crimes such as fraud, drug trafficking or kidnapping for ransom.

Usually, the focus of scrutiny for potential FT activity will be the end beneficiary and intended use of the money or assets. A terrorist financier may only need to disguise the origin of the property if it was generated from criminal activity but in the vast majority of cases they will seek to disguise the intended use in the act of terrorism. This can make terrorist property sometimes difficult to identify.

Isle of Man Specific Risks

The Isle of Man 2020 National Risk Assessment identifies the main FT risks to the Isle of Man as arising from the use of sophisticated and complex international structures to disguise the origin and destination of funds intended to support terrorist activities.

These structures include non-domestic charities and non-profit organisation (NPOs). The two major areas of vulnerability are where:

- legitimate charities are used to funnel funds into terrorist organisations and do so unwittingly; or
- where legitimate groups set themselves up as charitable organisations and deliberately use the funds they have received from donations to finance terrorist activities.

How Is The Financing Of Terrorism Carried Out?

The below model illustrates the stages which may form part of the FT process. It should be noted that not all of these steps are required as part of the process. For example, raising funds will suffice for FT to have occurred.

Raising - Moving - Storing - Managing - Obscuring - Using

Terrorist organisations, and lone actors, usually need to raise funds to:

- carry out terrorist acts;
- spread their ideology and recruit people to their cause;
- pay for travel and transport;
- purchase weaponry and ammunition and
- support involved persons, for example by providing food and accommodation to foreign terrorists, fighters and their family members and by funding terrorist cells.

These funds can be raised in various ways. The list below details some methods used by terrorist organisations:

- membership fees;
- group philanthropy (e.g. flags and clothing);
- concerts/specialised events; and
- donations.

What the above may suggest the cost associated with terrorism is high, the cost on attack capable of a devastating

The facts sheets are available to view via the AML/CFT section of the Authority's website.

Don't miss AML Wednesday

Is AML Wednesday part of your weekly routine? Our ongoing outreach and engagement, includes a post on LinkedIn each week to highlight AML/CFT-related news, reminders, and guidance. Please email aml@iomfsa.im with ideas for future topics and be sure to follow the Authority on LinkedIn... as well as AML/CFT content we post general updates, job opportunities, and links to consultations.

Keep testing your systems

There is an expectation on firms to be proactive and to continually test their systems to ensure they meet their obligations.

Businesses that adopt a higher risk model, or take on higher risk clients, must have the appropriate expertise, experience and sophistication within their ranks.

Mitigating risk involves more than a set of well-documented procedures and policies. It requires robust governance, appropriate controls, and a top-down culture that flows through the entire firm.

Action Plan in response to survey feedback

We have published an action plan in response to your feedback to a confidential survey conducted earlier this year.

Island Global Research invited comments on the effectiveness of the Authority in relation to our role, objectives and responsibilities, our approach to supervision and oversight, and our engagement with industry.

94% of respondents said the role of the Authority is important or very important to the Island's proposition as a responsible international financial services centre.

In addition, 77% consider the Authority to be important to the success of the industry, and 60% said it is important to the success of their firm.

We are using the findings to better understand the needs of the sector, to inform our future priorities, and to enhance our relationship with firms.

The Authority's five-point action plan in response to the survey focuses on:

- Inspections
- Transparency
- Communications & outreach
- People strategy
- Innovation

FURTHER READING

Full survey report
Executive summary
Action Plan

Updated version of Handbook

■ Changes reflect findings of thematic reviews



The AML/CFT Handbook was updated in December 2023 to reflect the findings of recent thematic reviews, with a focus on key areas such as Business Risk Assessments and Source of Wealth requirements for Politically Exposed Persons.

The opportunity was also taken to carry out some general housekeeping to correct minor typographical errors and refresh links from when the Handbook was first issued in July 2021.

The updated Handbook can be accessed via our website and includes a table of changes to highlight the sections that have been amended. A second version showing tracked changes is also available. Together with sector-specific AML/CFT guidance, the Handbook is an important part of the information available to help firms meet their AML/CFT obligations.

As part of the update, enhancements have been made in order to emphasise that BRAs must be evidenced at all times and a version history maintained in order to demonstrate compliance with the AML/CFT Code

We also publish a Supplemental Information Document to provide further information to firms supervised or overseen for AML/CFT purposes by the Authority.

The guidance includes different scenarios to set out best practice in relation to matters such as customer due diligence, ongoing monitoring, and enhanced measures. It also provides examples of methods to verify a person's identity and address, and a suggested list of points to consider in order to demonstrate compliance and record keeping.

Regulated entities and designated businesses are encouraged to read the information and take the appropriate actions to mitigate their AML/CFT risks. These are living documents and feedback is always welcome at aml@iomfsa.im

FURTHER READING

AML/CFT Handbook
Tracked changes version
Supplemental Information Document

Ashley to lead AML/CFT Supervision Division

■ Team of 22 officers dedicated to AML/CFT supervision and oversight



Ashley Whyte has been appointed as the Authority's new Head of Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT).

She will take over the top role in the AML/CFT Supervision Division in April, succeeding Ian Spence who is retiring after a long-standing career in financial regulation in the UK and Isle of Man.

Ashley, a qualified Company Secretary who holds a BA in Business and Law from Stirling University, was appointed following an open recruitment process. She is well known within the Island's finance industry having risen through the ranks since joining the Financial Supervision Commission as a graduate trainee in 2007.

Over the course of her career, most recently as a Senior Manager in the AML/CFT Division, she has developed a wealth of technical expertise, in addition to relationship building and leadership skills. As Head of AML/CFT, Ashley will lead a team of 22 officers dedicated to the AML/CFT supervision and oversight of all regulated entities and designated businesses in the Island. The division is also responsible for beneficial ownership oversight, as well as maintaining and updating AML/CFT policy and guidance.

Ashley, who has a post-graduate diploma in financial crime, will also become part of the senior executive team, which works in conjunction with the Board to set the strategic direction of the Authority.

Category added to BO Database

The Authority is seeking to raise awareness of the introduction of a new category within the Island's beneficial ownership database.

'Control as Liquidator' has been added as an option in order to provide further clarity around an area where historically there has been some confusion, and to provide a clear distinction in the Database where control of a legal entity sits with the appointed liquidator.

The new nature of interest category is now available to nominated officers, having been created by the Department of Enterprise. It follows feedback received by the Authority during a period of enhanced outreach and inspections to test compliance with the Beneficial Ownership Act 2017 ("the Act").

The Authority, which is responsible for overseeing compliance with the Act, noted a degree of confusion among nominated officers about whether a liquidator could or

should be recorded on the Database.

Relevant persons are reminded of the definition of beneficial owner as set out in section 4(1) of the Act – "a natural person who ultimately owns or controls a legal entity to which this Act applies, in whole or in part, through direct or indirect ownership or control of shares or voting rights or other ownership interest in that entity, or who exercises control via other means".

As the mind and management of a company is vested with the liquidator from the moment of their appointment, the liquidator will typically be in a position in which they are capable of exercising significant control over the company.

Relevant persons will be required to determine whether this control meets the threshold of a registrable beneficial owner (being 25%+ of the total control exerted on the company).

Webinars library

We are continuing to expand our library of recorded webinars to provide updates, guidance and helpful tips on a range of AML/CFT-related issues.

Recent topics include:

- Foreign PEP review findings
- AML/CFT statistical returns
- Beneficial ownership
- Update for designated businesses

If there is a topic you would like us to cover in a future webinar, please email aml@iomfsa.im

Link: [Webinars web section](#)

Helping Island firms to meet their obligations

Like many other regulators, our approach to AML/CFT compliance is to encourage supervised entities to understand and meet their obligations to prevent ML, TF and PF.

The dangers to firms, their staff, the community, and the Island economy are too serious for firms to fail to have appropriate protections in place. Firms themselves are best placed to understand their business, customers and products and the risks they may face.

The FATF standards and the AML/CFT Code set out the minimum requirements to help prevent ML, TF and PF by bad actors. The Code requirements are legal obligations.

We try to encourage voluntary compliance with these minimum requirements by publishing guidance and other material. We also provide information through reports, presentations and webinars, including where failures have been found and suggestions around best practice.

In order to evidence the levels of compliance, the Authority applies a range of approaches, such as inspections to test and challenge firms. Inspection reports identify any Code contraventions, and areas where remedial action is required.

It is important to note that being selected for a thematic or risk-based inspection does not mean that a firm will end up facing enforcement action. In the vast majority of inspections, correction of errors or remediation is all that is required by the Authority. However, in a few cases where the contraventions are considered to be widespread across a number of customers or years, or constitute a significant breach of the Code, the case may be referred to our Enforcement Division.

Enforcement action remains a key part of our regulatory approach to encourage firms to choose compliance. This includes the use of public statements to highlight action taken and other information to help firms avoid being in the same position with significant Code violations.

Enforcement an essential part of our approach

■ Cases referred where reasonable, appropriate and proportionate

A credible threat of enforcement remains an essential part of the Authority's regulatory approach.

Cases are referred to our Enforcement Division where this is considered reasonable and appropriate. It is not about taking action merely to have examples to show the MONEYVAL assessors.

Our approach is rooted in a desire to be proportionate and pragmatic. Where our supervisory activities identify issues, we set out to work with the firm so that it returns to a compliant position.

We have a full toolkit at our disposal and in most circumstances remediation is our preferred course of action. With that in mind, the Authority would urge firms selected for an inspection not to leap ahead to the worst case scenario.

Rather than adopt a defensive position, we would ask you to engage positively



with our supervisors throughout the process. It's important that we maintain an open and honest dialogue, and work together in a spirit of collaboration.

Of course, enforcement action remains a necessary option where our officers identify more material contraventions.

The organisational restructure also led to

the creation of an Enhanced Supervision Team, while referral panels help to drive consistency around decision making.

When the Authority does issue a civil penalty or prohibition, we would encourage people to read the public notices published on our website and note the learning points for industry.

Reminder about account warnings and blocks

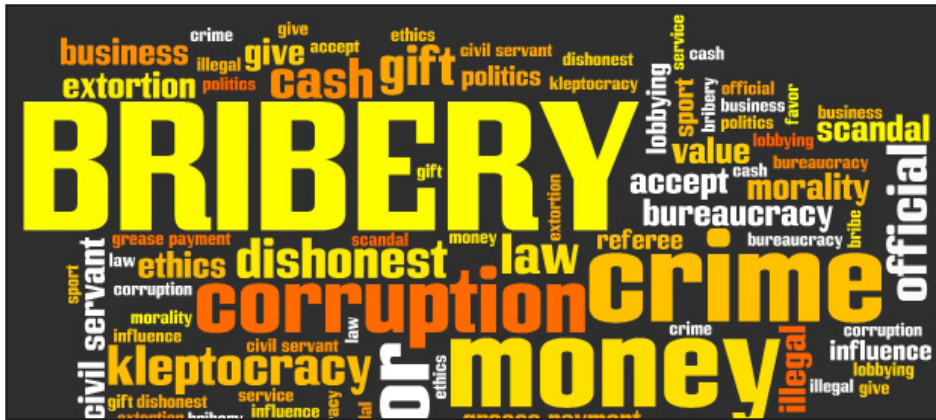
The Authority is reminding banks of key information regarding AML account warnings and blocks in order to help them to fulfil their regulatory obligations.

The information was first highlighted in a 'Dear CEO' letter to banks issued after consultation with, and input from, the Isle of Man Financial Intelligence Unit. The letter provides observed examples of effective control frameworks, good practice and other key considerations to help banks assess

and take steps to gain assurance that their financial crime systems and controls in relation to account warnings and blocks are commensurate with their risk profile.

The information contained in the 'Dear CEO' letter may also be of relevance to other firms operating in the Isle of Man that are subject to the Island's AML/CFT framework.

Link: 'Dear CEO' letter



Anti-Bribery and Corruption risks

■ Confidential Reporting Form available

Bribery and corruption are crimes in their own right – ‘corruption’ covers offences such as embezzlement, fraud, extortion or blackmail among others.

Corruption is also an ‘enabling’ activity, allowing crimes such as bribery, drug trafficking, modern day slavery, environmental or wildlife crimes to continue undetected or unpunished.

Bribery and corruption, like other predicate offences, generate funds whose source must be disguised so that they can be used by corrupt actors.

As a well-regulated international finance centre, the Isle of Man must stay alert to ensure that businesses here are not used or misused as vehicles through which the funds derived from bribery and/or

corruption could be laundered. Following the publication of the National Risk Assessment, in which the risks posed to the Isle of Man by these crimes was explored, an Anti-Bribery and Corruption Strategy was put in place. A website has been set up to provide sector-specific advice and guidance, red flag indicators, links to templates, and globally recognised sources of information.

A Confidential Reporting Form provides a safe and secure platform through which anyone in the Isle of Man can report suspected bribery or corruption. This includes suspected laundering of the proceeds of bribery and corruption within the regulated sector.

Link: [Anti-Bribery and Corruption website](#)

Central web pages for AML/CFT

A new section has been published on the Isle of Man Government website to act as a central repository for AML/CFT activity.

The page includes links to relevant information and guidance, along with news of key developments and events. Users are also signposted to the various Government agencies that are working in partnership to help drive continuous improvement in relation to AML/CFT compliance.

A collaborative approach is being taken to ensure the Island builds on its strong track record of engagement with international standards and continues to evidence long-term effectiveness.

This is a full-time focus and includes our preparedness for the next MONEYVAL evaluation, which will be crucial to the Island’s reputation and economic well-being.



Link: [AML/CFT website](#)

Why are some licenceholders having to spend a lot of time engaging with the Authority?

A: We operate in an increasingly complex international environment. In order for the Island to be successful and maintain its reputation as an excellent place to do business, the Authority must be able to supervise its population effectively. In line with our risk-based supervisory approach, it is possible that some firms may be involved in a number of different initiatives or may be required to engage with the Authority more significantly than others. When considering the

selection of firms for projects and thematic reviews, we will always take into consideration the date of the last touch point with the firm.

MONEYVAL: When will our next evaluation take place?

A: The official date has not yet been confirmed. However, preparations are already well under way on the understanding that the MONEYVAL team will visit in 2026 – or possibly even 2025. We will keep you posted.



Is the Authority planning any major legislative updates ahead of the MONEYVAL evaluation?

A: We are trying to keep any AML/CFT legislative changes to a minimum, so that the Island's framework remains as stable as possible on the run up to our evaluation. As such, there are currently no plans to update the AML/CFT Code.

However, we are taking the opportunity to make some other changes. In conjunction with Treasury and the Department for Home Affairs, there are two consultations currently live, one regarding the implementation of what is known as the 'travel rule'. This relates to mandating certain information that must be transferred with a crypto currency transaction.

The second consultation is more of a tidying up exercise to ensure consistency in the terminology and definitions used in Schedule 4 to the Proceeds of Crime Act and Schedule 1 to the Designated Businesses (Registration and Oversight) Act 2015. The main material change is the proposal to bring the new activity – administering or managing money on behalf of another person – into the DBROA.

Why does the Authority ask for so much data?

A: It is imperative as a financial regulator to collect data to help us understand the risk within our entities and sectors. In turn this allows us to use our resources efficiently and supervise in line with a risk-based approach.

The Authority is on a data journey and we have been working through our statistical returns with a view to streamlining and simplifying them where possible. This is to ensure we are obtaining the data that we really do need.

We are seeking to make things more automated, but it takes

time to get there and we need engagement and cooperation in order to achieve progress. As we move towards an international evaluation it is important for us to use our data to inform and provide the rationale for our supervisory decisions.

We already have ideas about the statistics that will be required by MONEYVAL and are working to ensure our returns gather this information. Please be assured we are considering questions fully before adding them to our forms.

Also, we continue to work with firms and professional bodies in relation to data requests to provide a heads up of what is coming down the line.

Why doesn't the Authority provide firms with their AML/CFT risk rating?

A: While we will not be publishing risk ratings, our assessment of risk will be discussed and communicated through our supervisory engagement with firms. Risk ratings are based on complex assessments that consider a wide range of qualitative and quantitative factors.

Simplifying these assessments in to a single rating without additional context is challenging and can be misconstrued. Knowing its rating may lead a firm to focus on optimising its risk rating through superficial or short-term measures rather than long-term improvements to its control environment.

Risks are not static and can change rapidly due to numerous internal and external factors, so published risk ratings may become quickly outdated.

Is every case where a failing is identified referred to enforcement – even if it is an isolated incident?

A: The level of our enforcement activity is commensurate with the contravention(s) identified. We take a pragmatic approach to risk-based supervision and remediation, and set out to work with a firm – using our remediation toolkit – so that it returns to a compliant position.

However, we will take enforcement action where this is considered proportionate, reasonable and appropriate.