

Communiqué 2

7 March 2018

National Risk Assessment of Money Laundering and Terrorist Financing – what next for Industry

1 Overview

- 1.1 In October 2017, Jersey’s Financial Crime Strategy Group issued a statement concerning the Island’s intention to conduct a National Risk Assessment (**NRA**) of money laundering and terrorist financing¹. It explained: (i) that all countries are expected to identify, assess and understand money laundering (**ML**) and terrorist financing (**TF**) risks² and take action and apply resources aimed at ensuring risks are mitigated effectively; and (ii) how this would be done. The statement noted that mutually beneficial interactions and synergies had been identified between the NRA data requirement and data to support risk- based supervision by the Jersey Financial Services Commission (**JFSC**).
- 1.2 Since October, the JFSC has spent a substantial amount of time with Industry discussing the data which it intends to collect in order to allow it to better identify, assess and understand ML and TF risks at entity level – something that supervisors are expected to do in order to support risk-based supervision under international standards. The JFSC has been supported in this exercise by the Government of Jersey (**Government**) due to the identified data interactions and synergies.
- 1.3 The NRA process, which will lead to a published report and action plan, will inform policy decision-making and identify any necessary remedial action such as legislative amendments or resource allocation. The collection of data from Industry is an absolutely critical part of this process such that decisions are fully supported by evidence.

2 JFSC data collection

- 2.1 The JFSC has published a feedback paper on Consultation Paper No.7 2017 “Data for Risk-based Supervision”. This explains in some detail its revised approach to the collection of data for AML/CFT risk-based supervision. It explains how data is to be collected in 2018 (three phases) and 2019. To read the report, [click here](#).
- 2.2 Collection of data under the first phase will start on 14 March 2018. The JFSC will send out (Excel-based) questionnaires with guidance to entities who will be required to complete and submit data by 25 April 2018 (**Reporting Entities**). Both the questionnaire and guidance take account of comments made by Industry. The JFSC will also publish online “frequently asked questions” (**FAQs**) which will be updated during the data submission period. Inter alia, the FAQs will explain what Reporting Entities should do if they have a question and/or do not have access to the data needed to complete the questionnaire.
- 2.3 Formal feedback to the Consultation Paper and subsequent Industry discussions have highlighted that Reporting Entities may have some difficulty responding to a number of data requests. In particular, it has been explained to the JFSC that data may be held in a number of disparate systems, including paper files, and that it will be difficult to provide some of the data requested for 2016.

¹ [Communiqué - national risk assessment of money laundering and terrorist financing 3 October 2017](#)

² In the NRA context risk is considered to be the sum of threats and vulnerabilities.

Industry has also explained that there are a large number of other important exercises underway, all of which involve the capture and presentation of data. The JFSC and Government acknowledge these concerns, but it is of some considerable importance to start data collection now in order to ensure that conclusions in the NRA are evidence-based and the JFSC is able to build a track record of effective risk-based supervision ahead of Jersey's next mutual evaluation in 2021/2022. A weak NRA and/or supervisory track record will not serve the Island's long-term interests well.

- 2.4 Once the first data collection phase is underway, preparatory work can continue on the second and third phases. These phases will collect substantially more data on customers and key risk indicators by sector and, where necessary, within sectors. It is planned to re-start this exercise in mid-March and it will involve substantial and meaningful dialogue with Industry representatives. It is hoped that data from phases 2 and 3 will be available for analysis by the start of September 2018. Government will also support phases 2 and 3.
- 2.5 The World Bank will be in Jersey to provide training on the use of its assessment methodology from 15 to 17 May. This training will involve up to 80 people drawn from the public and private sectors and it is important to have phase 1 data available at that time. In line with the timeframe agreed with the World Bank, a first draft of the NRA report should be completed before the end of 2018, and so it is important that data from phases 2 and 3 is available by the start of the autumn.

3 Other sources of information

- 3.1 Additional data will be fed into the NRA. All public agencies have been requested to provide a substantial amount of data and information ahead of the training workshop in May and shortly thereafter. For example, the Law Officers' Department and Joint Financial Crime Unit (**JFCU**) – Operations are expected to provide details on relevant ML cases in order to ensure that ML threats are understood. Similarly, the JFCU – Financial Intelligence Unit (**FIU**) is expected to provide a strategic analysis of suspicious activity reports before the start of the workshop, and the JFSC is expected to present aggregated "footprint"/organisational data about the sectors that it supervises and to explain its supervisory approach and record. Like Industry, all agencies have identified problems presenting this data; data is not held in a way that readily facilitates its extraction and so the process becomes very resource intensive.
- 3.2 As explained in the original statement, Industry will be requested (but not required) to provide additional input into the NRA through a survey. Work on this has yet to start, but it will provide Industry with an opportunity to say where there are threats and where there is room for improvement in the AML/CFT controls that have been put in place.

4 NRA teams

- 4.1 As mentioned, training will be provided in May to members of all the teams that will consider threats and vulnerabilities. Each of the leaders of those teams has been appointed and work is now focused on ensuring that the private sector is properly represented on each of those teams. Trade bodies and associations will be consulted on this selection process.

NRA team leaders are:

ML threat assessment	A/DI Louise Clayson, JFCU - FIU
ML national vulnerability	George Pearmain, Chief Minister's Department
Banking vulnerability	Ellie Sharples, JFSC
Securities vulnerability	David Porter and Kate Berry, JFSC
TCB vulnerabilities	Jon Stevens, JFSC
Other FI and DNFBP vulnerabilities	Melanie Hoey, JFSC
TF risk	DI Lawrence Courtness, JFCU - Operations

- 4.2 Teams assessing ML threat, ML national vulnerability and TF risk will be assisted by Professor William GILMORE, Emeritus Professor of International Criminal Law and former Legal Scientific Expert for MONEYVAL.

5 TF risk

- 5.1 There will be particular challenges quantifying the TF risk that is present in Jersey on the basis that there have been no TF investigations and few SARs in this area. Whilst it might seem reasonable to conclude that the absence of such cases and intelligence points to a lower risk, this alone is not sufficient. In order to consider how other smaller jurisdictions in Europe and further afield have been able to demonstrate taking effective action to address TF risk, Jersey is working closely with Guernsey and Monaco and will take part in a two-day workshop for smaller jurisdictions on 9-11 April.

6 Continued outreach

- 6.1 In order to ensure that Industry is engaged in the NRA process, every opportunity is taken to reach out through workshops and seminars. For example, the Chartered Institute for Securities & Investment (CISI) will be running a workshop on the NRA on 14 March.