



Industry Update

27 November 2018

Supervisory Thematic Programme for 2019 Supervision Examination Unit led examinations

Thematic examinations allow us to better understand particular thematic risks that cut across a range of firms in a specific sector or affect a sector as a whole.

At the Jersey Financial Services Commission (JFSC), we address thematic risks using a range of tools including questionnaires, on-site visits and guidance.

We have identified the following thematic examinations which our Supervision Examination Unit (SEU) will undertake during 2019¹.

Quarter 1 - Outsourcing Arrangements (OA)

This will be a continuation of the thematic examination which we started in Quarter 4 of 2018 and will include finalising fieldwork and reporting on any findings.

For detailed information relating to this theme, please [click here](#).

Quarter 2 - The Role of the Money Laundering Reporting Officer (MLRO)

The MLRO plays a vitally important role in ensuring that not only the Registered (or Relevant) Person complies with Jersey's AML/CFT legislative and regulatory framework but also protects the Island's reputation as an international finance centre, with high regulatory standards in countering financial crime in Jersey and elsewhere.

In this thematic we will therefore consider:

- › How the Registered (or Relevant) Person exercises appropriate governance, control, oversight and support of the MLRO. For example, does the MLRO have appropriate independence? Do they have sufficient seniority and authority within the business? Do they fulfil other operational roles within the business and, if so, how is this being managed to ensure it does not impinge on their ability to effectively fulfil their role as an MLRO? Is an independent check on the performance of the MLRO conducted?

¹ Whilst the Quarter 2 Thematic will be led by the SEU, it will also include members of the JFSC's Supervision Team who are responsible for the supervision of Designated Non-Financial Business or Profession (DNFPBs).

- › How the MLRO discharges their obligations under the AML/CFT legislative and regulatory framework. This will include, but will not be limited to, looking at whether all internal SARs are assessed on a timely basis; that the decision of whether or not to externalise a SAR is always documented appropriately; and that externalised SARs contain all the relevant information.

Quarter 3 - Reliance

In May 2016, Moneyval issued a report summarising Jersey's position against the 40 Financial Action Task Force (FATF) recommendations (2003) and nine special recommendations (2004). Jersey received a "partially compliant" rating against Recommendation 9 – "Reliance" and concerns were raised around effectiveness.

Conducting this thematic will give us a better understanding of the current use of "Reliance" across all sectors and we will check adherence to the requirements of Article 16 and 16A of the Money Laundering (Jersey) Order 2008 and the AML/CFT Handbooks.

Quarter 4 - Compliance Monitoring

We consider Compliance Monitoring to be the assessment of a Registered Person's adherence to applicable legislative and regulatory requirements and corresponding controls, and should therefore be an integral part of a Registered Person's risk management framework.

Despite the JFSC issuing previous guidance in relation to Compliance Monitoring², a repeat finding in recent supervisory examinations (both Thematic and Entity Risk) has been Registered Persons being unable to evidence full compliance with the requirements of the Code in respect of this important Principle.

In this identified thematic we will therefore test the governance and oversight of the compliance function by the senior management of the Registered Person and the adequacy and effectiveness of Compliance Monitoring carried out by the Compliance Function/Compliance Officer.

As necessary, we may supplement the above identified themes by additional themed examinations, as required. One such theme is cyber-security and sector specific Supervision Managers will lead a pilot thematic on this during 2019. We will issue further information on this theme in due course.

² <http://www.jerseyfsc.org/pdf/CEO-Ltr-re-GN-Compliance-Monitoring-6-December-2013.pdf>
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