Supervision Strategy Update
Forward Focus

Mark Hoban
Commissioner
Forward focus – welcome and introduction
Mark Hoban, Commissioner

Risk-based supervision and the use of supervisory risk data
Andrew Garbutt, Head of Risk and Regulatory Change

Introducing the Financial Crime Examination Unit
Jill Britton, Director of Supervision, and Lindon Le Lai, Senior Manager

Insight into the Supervision Examination Unit
Amanda Reilly, Senior Manager

Working with your Supervisor – what does a good relationship look like?
Andrea John, Head of Unit, Supervision

Panel Q & A

Closing remarks
Jill Britton, Director of Supervision
The need to evolve, change and deal with uncertainty
› Building organisational resilience
› Embedding risk-focused choices across the JFSC
› Building financial crime capabilities
Dealing with the known unknowns and having the structure, framework and a robust funding model to do this
Building technology solutions to support our staff in making risk-focused choices
Ensuring that we protect our shores from those looking to exploit the financial sector
Risk-based supervision and the use of supervisory risk data

Andrew Garbutt, Head of Risk and Regulatory Change
Why did we collect your data?

To drive risk-based supervision

To inform the National Risk Assessment
How have we used it?

› To allocate our finite resource to the highest risks

- Enhanced
- Proactive
- Pooled

- Red
- Amber
- Green

Day to day supervision
Supervisory risk response
Examinations

Supervisory examinations
Financial crime examinations
What does it mean for you?

It will depend on your impact rating...

Enhanced

Proactive

Pooled

Red

Amber

Green

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- Amber
- Green

Examinations
- Supervisory examinations
- Financial crime examinations
Future data collection exercises

› We will collect the same data for the next two years

› The mechanism will be the same, excel spreadsheets loaded through the myJFSC portal

› Communication on the next exercise to be issued, submissions to be completed by the end of Q1 2020
Introducing the Financial Crime Examination Unit

Jill Britton, Director of Supervision
Island commitment to reaching a ‘gold standard’ of compliance with FATF’s technical compliance and effectiveness standards which are due to be assessed by MONEYVAL in 2021 / 2022.
FATF recommendations

Technical compliance recommendations:

26 - Regulation and Supervision of Financial Institutions

Methodology: Countries should ensure that financial institutions are subject to adequate regulation and supervision and are effectively implementing the FATF recommendations.
Risk-based approach to supervision and monitoring

The frequency and intensity of on-site and off-site AML/CFT supervision of financial institutions or groups should be determined on the basis of:

- The ML/TF risks and policies, internal controls and procedures associated with the institution or group, as identified by the supervisor’s assessment of the institution’s or group’s risk profile
- The ML/TF risks present in the country
- The characteristics of the financial institutions or groups, in particular the diversity and number of financial institutions and the degree of discretion allowed to them under a risk-based approach.
FATF recommendations

Effectiveness immediate outcomes:

3 – Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CFT requirements commensurate with their risks.
Introducing the Financial Crime Examination Unit

Lindon Le Lai, Senior Manager
The journey so far...

Established March 2019

Headcount of 8

Over 200 years of financial services experience
Financial Crime Examination Unit - remit

› Conduct cyclical examinations based on the level of inherent risk of financial crime
› Focus on entities which are rated as high or medium risk for financial crime
› Examinations based on the obligations detailed in the relevant AML/CFT Handbook(s)
› All sectors
Examinations – how often?

High risk entities  ➔  Every two years

Medium risk entities  ➔  Every four years

Low risk entities  ➔  Random selection
Methodology

Stage 1: Desk-based review
Stage 2: On-site review
Stage 3: Draft report
Stage 4: Final report
Stage 5: Action plan
Stage 6: Follow up
Current status and next steps

› FAQs
› Information request
› Portal document upload
› Soft launch to six entities: October 2019-March 2020
› Communication of risk categorisation and full examination programme
An insight into the Supervision Examination Unit

Amanda Reilly, Senior Manager
Supervision Examination Unit
The team

Amanda Reilly
Senior Manager

Anne Lappage
Examiner

Charlie Petulla
Examiner

Ches Trower
Examiner

James Horrigan
Examiner

Abigail Venton
Examination Officer

Examiner
Joining November

Examiner
TBC
What we do

Event driven examinations

Thematic examinations

Entity risk examinations
What have we achieved so far?

2018
- Risk and Event: 16
- Thematic: 29

2019
- Risk and Event: 12
- Thematic: 43
## Industry feedback

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<th>Examination</th>
<th>Debrief</th>
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Benefits of examinations

› Effectiveness
› Awareness
› Communication
› Knowledge
› Feedback
Key findings

Principle 3 – A registered person must organise and control its affairs for the proper performance of its business activities and be able to demonstrate the existence of adequate risk management systems.
Key findings – outsourcing thematic

Feedback issued in July 2019:

› Inadequate termination arrangements
› Insufficient monitoring or lack of ongoing assessment of fitness and propriety
› Non-application of due diligence requirements where outsourcing was to a group entity
› Inadequate policies and procedures
Key findings – MLRO thematic

› Lack of independent assessment conducted annually
› Training not specific and effectiveness not tested
› Staff encouraged to discuss concerns with line manager or MLRO/DMLRO
› Inadequate processes and procedures
› Lack of understanding between MLRO and MLCO responsibilities
› Unclear decision making process regarding SARs
Expectations of the JFSC

› Oversight of key risks by senior management or board
› Documented discussion and actions arising from client engagement, committees and board meetings
› Mapping of processes to regulatory framework
› Independent verification of due diligence
› Sufficiently resourced and independent compliance function
What’s next?

› Portal development
› Feedback based on The Role of the MLRO thematic
› Reliance thematic
› Compliance Monitoring Programme thematic
› 2019 key findings feedback paper
› 2020 thematic programme and entity risk selection
The examination units

**SEU**
- Thematic
- Entity risk
- Event driven

Driven by:
- data collection
- industry developments
- supervisory knowledge
- utilising the risk model (residual risk and random sampling)

**FCEU**
- Financial crime control

Driven by:
- data collection
- NRA output
- utilising the risk model (inherent risk)
Working with your supervisor – what does a good relationship look like?

Andrea John
Head of Unit, Supervision
Overview

› Why does it matter?
› What does the data say?
› What does a good relationship look like?
› How does it work in practice?
› Key takeaways
Why does it matter?

- Less resource intensive
- Shared goals
- Better outcomes
- Happier people
What does the data say?

When a risk event occurs in a regulated entity, what are the top underlying causes?
Insufficient and/or inexperienced compliance staff

Entity is not open and transparent in its dealings with the JFSC
What does a good relationship look like?

› Respectful and professional
› Open and transparent
› Communication is:
  › clear
  › timely
  › accurate
  › complete
How does it work in practice?

› You work for a regulated financial services company in Jersey

› You are the designated point of contact with the JFSC

› When would you notify us?
How does it work in practice?

- IT incident
- Fraud
- SARs
- Data breach
- Merger/sale
- Litigation
- Changes in PPs/KPs
Key takeaways

› A good relationship brings real benefits
› Prompt notification does not need explaining
› We’ll probably find out anyway
› If you’re not sure whether to tell us, tell us
› If you don’t know what we mean, ask us
› Let’s try and work together even better… it will make us even happier!
Q & A

Facilitated by Tony Shiplee, Head of Unit, Supervision
Panel members:
› Jill Britton, Director of Supervision
› Andrea John, Head of Unit, Supervision
› Andrew Garbutt, Head of Risk and Regulatory Change
› Sarah Kittleson, Director of Supervisory Engagement
Closing remarks

Jill Britton, Director of Supervision