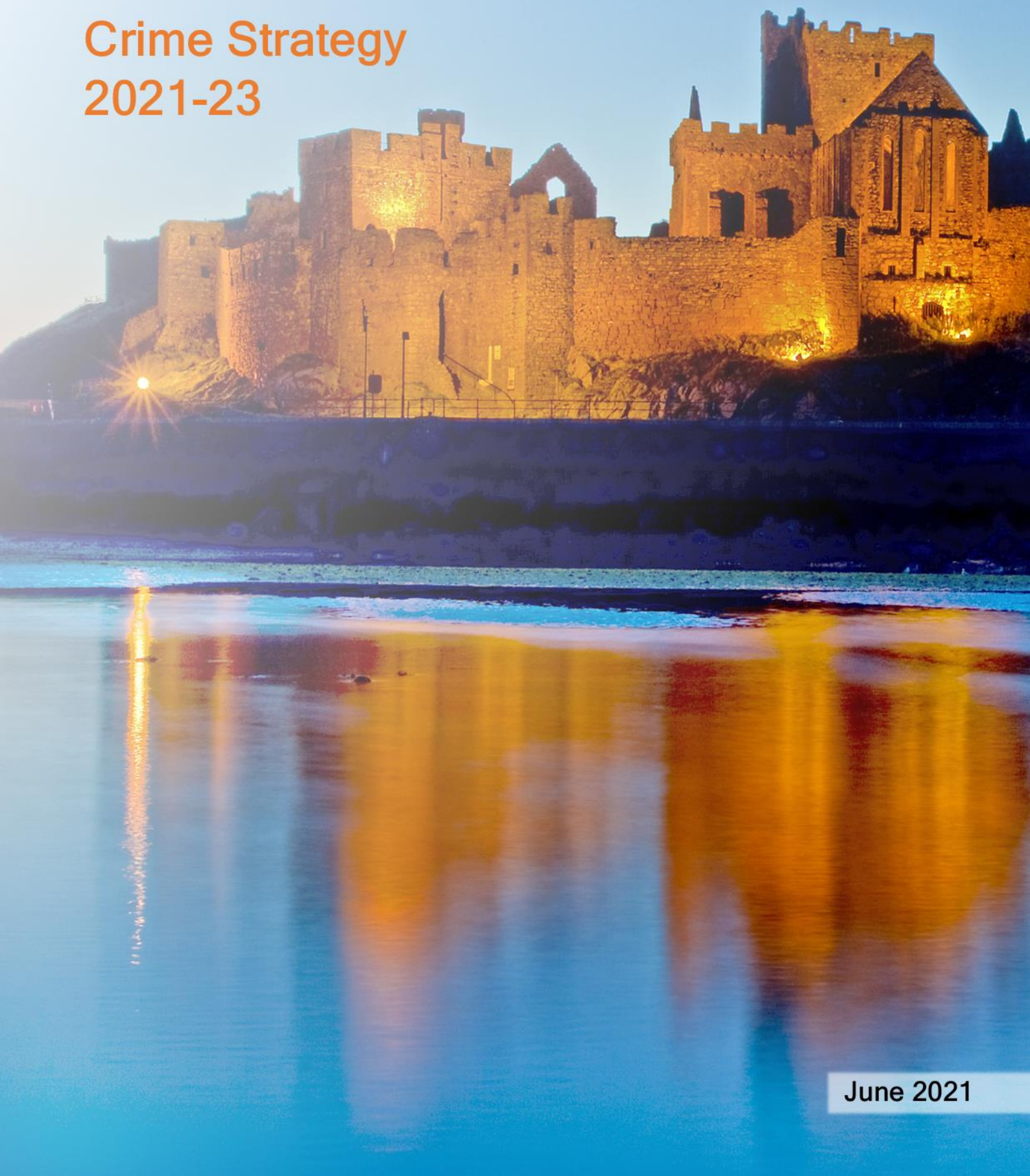




Cabinet Office

Oik Coonceil ny Shirveishee

Financial Crime Strategy 2021-23



June 2021

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Foreword from the Chief Minister

I am pleased to bring forward this third Financial Crime Strategy for the Isle of Man, which has been adopted by the Council of Ministers. This Strategy sets out our ambition of delivering a whole-Island approach to fighting money laundering and financial crime. Over the past few years, the Isle of Man has introduced a large number of measures to strengthen our legislative framework against money laundering and terrorist financing. These measures have been underpinned by significant investment in financial intelligence, law enforcement and asset recovery.

Taking the profit out of crime is a fundamental objective identified by the Financial Action Task Force, the international body tasked with setting and monitoring standards to tackle money laundering. The Isle of Man has had increasing success in this area since the last Financial Crime Strategy was published. It is particularly satisfying that in a number of cases the Island has been able to assist other jurisdictions in returning assets to the victims of financial crime.

That the threat from money laundering and other financial crime continues to evolve is evidenced by the efforts of individuals and organised crime to capitalise on the COVID-19 pandemic. The scale of the threats posed by human trafficking and modern slavery, wildlife and environmental crime are also becoming sadly more apparent. The financial and business networks of the Isle of Man are truly international and so we cannot be immune to these and other, more established threats. Those authorities charged with protecting the Island will therefore continue to focus on working closely together, using all the tools at their disposal, to frustrate criminals seeking to launder the proceeds of crime, wherever possible bringing them to justice and returning assets to victims.

Hon. Howard Quayle MHK, Chief Minister



Introduction

The IoM is a successful centre for international business with sectors including banking, insurance, corporate services and e-gaming. The IoM has also embraced digital technology and has been an early mover in providing a sound regulatory framework for convertible digital currency¹. As a small jurisdiction with a wide and ambitious reach, the IoM has corresponding obligations to protect itself and others from financial crime, in particular cross-border international crime such as the laundering of the proceeds of corruption. No country is immune from financial crime; there are however, effective measures that can be taken to mitigate risks, pursue the perpetrators and restore assets to the victims. The IoM has been actively adopting and implementing such measures in recent years, with increasing success. The development of a new Financial Crime Strategy provides the opportunity to reflect upon the progress achieved, to identify where further improvements in the domestic system can be made and to adapt as needed to the challenges of new and emerging threats. To that end, the overarching aim of this strategy is to achieve a whole-Island approach to fighting money laundering and financial crime.

Aim – a whole-Island approach to fighting Money Laundering and financial crime.

The Financial Crime Strategy provides a high-level national direction for addressing the money laundering and other financial crime threats to the Island identified in the National Risk Assessment 2020. This Strategy is adopted by and has the support of the IoM Government. The FIU, law enforcement and regulators publish Strategies and Business Plans, which are specific to their functions. These should be referred to accordingly. The IoM has a separate strategy concerning the combatting of terrorist financing, and is developing a strategy for combatting the financing of proliferation of weapons of mass destruction, in line with FATF Recommendations.

Background

The Financial Crime Strategy 2017-2020 was published in June 2017. The Strategy, which was informed by the Island's first National Risk Assessment 2015, included a number of outstanding recommendations from the MONEYVAL Mutual Evaluation of the IoM in 2016. There were 56 actions identified, each of which was allocated to one or more agencies. Progress on the Strategy is overseen by the Financial Crime Strategic Board (FCSB). In October 2020, the FCSB noted that 87% of the actions had been delivered. Of the remaining actions, several will be addressed by the adoption of measures included in new legislation² that will be brought into operation during 2021. The global pandemic had delayed the completion of a small number of other actions, such as the roll out of AML/CFT training for nominated officers or "MLRO's" within Government departments. These matters remain ongoing. A summary of progress has been published on the Cabinet Office website.

¹ Referred to as Virtual Assets and Virtual Asset Service Providers by the Financial Action Task Force (FATF)

² The Beneficial Ownership (Amendment) Act 2021 and the Companies (Amendment) Act 2021

Current Position

The IoM has a strong technical framework; there have been a large number of legislative changes made in the past few years and considerable policy development. Legislative and policy development will continue, with the focus on addressing specific identified risks, and delivering on international commitments, notably the public register of beneficial ownership of companies. The IoM Government is committed to ensuring that the framework, the legislative powers and procedures are being actively used and that this is tested for effectiveness, using independent experts where appropriate.

New threats continue to emerge. The COVID-19 pandemic has created new opportunities for criminal networks to exploit. The FATF has identified wildlife and environmental crime as significant worldwide contributors of illicit proceeds. Human trafficking and slavery is now the world's third largest crime after drug trafficking and counterfeiting, generating over \$150 billion per year. It is unclear what the impact of the UK having left the EU will be and if this will create new risks to our borders in respect of the movement of goods (VAT and revenue duties) and cash.

One area to which the IoM will be giving increased attention concerns bribery and corruption. Corruption, in particular grand corruption, can have a devastating effect, especially in developing countries. The NRA identifies bribery and corruption as one of the five main predicate crimes presenting an international threat, representing 19% of all Economic Crime Unit investigations.

Whilst there are new and emerging threats, it is important to recognise that most money laundering and financial crime risks to the IoM are from well-established routes. The National Risk Assessment of Money Laundering and Terrorist Financing 2020 (NRA 2020) identifies and evaluates areas of national and sectoral risk for the IoM highlighting where action is required. The Key Findings of the NRA have informed the National Strategic Objectives 2021-23.

All of the authorities charged with protecting the IoM from money laundering and financial crime are committed to working together, supporting each other and exchanging information, knowledge and experience with the shared intention of depriving criminals of their assets and, where possible, restoring these to victims. International cooperation is and will continue to be central to this aim.

National Strategic Objectives 2021-23

Three Strategic Objectives have been adopted for 2021-23; under each Strategic Objective, a number of actions are identified.

Focus on new and existing money laundering threats - identify and take measures to address these by;

- Using legislative powers now available and the anti-money laundering framework, which has been strengthened in recent years.
- Undertaking detailed analysis of the data now available and seeking to expand upon that data where required.
- Working together, pro-actively sharing information, knowledge and experience.
- Maintaining high levels of international cooperation.
- Ensuring that the national risk assessment is kept up to date; developing and publishing information and typologies relevant to the IoM.
- Testing national approaches for effectiveness both internally and against external benchmarks.
- Effectively prosecute ML and TF and confiscate the proceeds of crime
- Review and modernise the scope of the Proceeds of Crime Act 2008

Focus on knowledge and the development of skills to combat identified threats by;

- Identifying, investing in and implementing specialist training to support intelligence gathering, analysis, investigation, prosecution and asset recovery including awareness and use of new technologies and innovative tools and techniques.
- Continuing to engage and work with UK and international counterparts, developing networks to assist in the fight against money laundering and international financial crime.
- Working closely with industry, maintaining existing and establishing where required new fora to enable the exchange of information and the development of effective and proportionate legislation, systems and processes aimed at tackling money laundering. Continue to develop and implement Public Private Partnerships.
- Ensuring that knowledge and awareness of AML is embedded within the IoM Government using a variety of approaches.
- Facilitating closer agency working to pursue common goals in combatting ML and TF, identifying and removing barriers to effectiveness through improved coordinated activity.
- Establishing a programme of work aimed at raising knowledge and awareness of international and domestic bribery and corruption and identification of measures that can help address these threats.

Maintain a high level of compliance with the FATF and other relevant standards aimed at tackling money laundering and Deliver on international commitments regarding beneficial ownership by;

- Monitoring and reviewing changes to the international FATF standards, in particular forthcoming changes to the FATF standards in respect of proliferation. Take action as appropriate.
- Contributing to the development of standards sharing views, knowledge and the experience of the IoM as a small and well-regulated International Financial Centre via MONEYVAL, GIFICS, Egmont, CARIN etc.
- Ensuring that the IoM is well-positioned in advance of any Follow Up Review by MONEYVAL in whatever form that may take
- Maintaining awareness of developments internationally which may affect the IoM and engaging with the relevant organisations accordingly.
- Working towards the Beneficial Ownership database becoming a public resource in line with the commitment given by the IoM Government in June 2019.
- Measuring IoM compliance and progress against FATF standards.
- Considering and responding to recommendations made by international observers in respect of the application by the IoM of conventions relating to bribery and corruption.
- Identifying and making progress towards the extension of relevant international conventions to the IoM e.g. the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (the “Warsaw Convention”).

Measuring Success

The following measures provide indicators of success for each Strategic Objective. The FCSB will also look for any other new or additional evidence of progress contributing to the overall effectiveness of the IoM in tackling money laundering and other financial crimes.

| Strategic Objectives | Measures |
|--|---|
| <p>Focus on new and existing financial crime and money laundering threats – identify and take measures to address these.</p> | <ul style="list-style-type: none"> • Number of money laundering cases investigated • Number of prosecutions undertaken • Cash seizures • Number of outgoing Letters of Request • Number of confiscation orders • Number of civil cases and assessment of appropriateness of penalties • Timeliness of mutual legal assistance • Assessment of the availability and usefulness of financial crime data to measure effectiveness • Amendments to Proceeds of Crime Act 2008 to improve effectiveness • Deliver independent assessments of effectiveness of the AML/CFT regime |
| <p>Focus on knowledge and the development of skills to combat identified threats.</p> | <ul style="list-style-type: none"> • Quarterly reporting on training that has been accessed and the resulting outcomes • Number of information/training events to industry • Publication of reports and typologies • Establishment of a public, private partnership • Training and support provided to Government MLROs • Deliver presentations on AML/CFT to new Members and update on progress to Chief Officers • Undertaking a review of inter-departmental communications; identification and implementation of measures as required • Continuing to invest in new and improved technology and report on impact • Establishment of an anti-bribery and corruption committee • Deliver of an anti-bribery and corruption strategy and supporting framework • Continue to support the training of IoM officers as MONEYVAL/FATF assessors |

Maintain a high level of compliance with the FATF and other relevant standards aimed at tackling money laundering and deliver on international commitments regarding beneficial ownership.

- Maintain or improve ratings awarded to the IoM for the 40 FATF Recommendations
- Deliver independent assessments of effectiveness of the AML/CFT regime
- Participate and report on engagement in MONEYVAL and FATF working groups
- Provide IoM trained assessors for the mutual evaluations of other countries AML/CFT regimes
- Participate and report on engagement in other international groups and networks, reporting on an annual basis
- Deliver a publically accessible register of beneficial ownership, in line with IoM Government commitments
- Interconnect the IoM beneficial ownership register with the EU, in line with IoM Government commitments
- Centrally record, monitor and report on progress to meet relevant international recommendations on bribery and corruption
- Develop new proactive oversight and monitoring framework for sanctions relating to proliferation financing
- Have the Warsaw convention extended to the IoM

Reporting on Progress

The AML Policy Office is responsible for monitoring progress against actions identified in the Financial Crime Strategy and ensuring that regular reports are made to the FCSB. A review of the 2017-2020 Financial Crime Strategy will be published by the Cabinet Office in July 2021 and outcomes from the 2021-23 Strategy will be published in due course.



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