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MONEYVAL Mutual Evaluation Report of the Isle of Man FAQs

What is MONEYVAL?

MONEYVAL is a committee of the Council of Europe (which is not the EU). It is responsible for independently assessing the strength of Anti-Money Laundering (AML) and Countering the Financing of Terrorism and Proliferation (CFT) measures in certain European countries and publishing those results. The aim is to prevent the abuse of the world's financial systems in particular by organised crime and terrorists. It does so by ensuring that its member states have in place effective systems to counter money laundering and terrorist financing and comply with the relevant international standards in this matter.

Who sets the standards for the assessment?

The Financial Action Task Force (FATF) is responsible for developing and promoting policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF is an independent inter-governmental body. The FATF Recommendations are recognised as the global AML and CFT standards against which countries are measured.

What about assessing other countries outside of Europe?

Each region of the world has a body like MONEYVAL which is responsible for assessing the countries in their own region. In the case of the largest countries and countries which are considered to be 'systemically important' for political reasons these are assessed directly by the FATF.

Who else is a member of MONEYVAL?

MONEYVAL includes a lot of small countries such as the Channel Islands, Gibraltar, Andorra, San Marino, Malta and Lichtenstein as well as larger countries such as Hungary, Slovenia, Serbia and Ukraine.

Why is the IoM involved in MONEYVAL?

All countries are required to be members of a FATF body; in the case of the Isle of Man this is MONEYVAL. If a country did not agree to participate in this process it would be subject to stringent of international sanctions.

Has the IoM been assessed before?

In 2008 the IoM was assessed by the International Monetary Fund (IMF). This was before the IoM joined MONEYVAL. The assessment process was different at that time and the focus was on whether a country had the technical framework, for example the legislation, regulation and guidance in place to tackle money laundering and financing of terrorism. The IoM received a very positive assessment from the IMF.

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What does a MONEYVAL assessment involve?

A new style of FATF assessment has been introduced and this was the one used by MONEYVAL for the IoM. The new assessment process still looks at the technical framework, but it also examines effectiveness, that is whether a country is using the tools at its disposal and how well it is performing in tackling and preventing money laundering and terrorist financing. The country provides extensive evidence and MONEYVAL also send a team of evaluators, selected by MONEYVAL, to visit the country for two weeks to interview the authorities and representatives from the financial services industry and other relevant sectors e.g. advocates and online gambling.

Who were the evaluators who visited the IoM?

Members of MONEYVAL are expected to provide AML/CFT experts from their own countries to make up a team of evaluators; these are the people who consider the evidence provided and visit the country being assessed. This process is called 'mutual evaluation'. The IoM had evaluators from Poland, Moldova, Estonia, Israel and Lichtenstein who were experts in their respective fields (legal, law enforcement, regulation). The IoM also has trained evaluators who will be involved in assessing other countries.

What does the MONEYVAL assessment of the IoM say?

The MONEYVAL report on the IoM was published in January 2017; it is called a 'mutual evaluation report'. The report shows that the IoM has a strong technical framework in place, and in fact this has improved since the last IMF assessment in 2008. However the report also identifies a number of important areas concerning the new effectiveness measures where the IoM has not performed well. These areas mainly concern law enforcement, in particular financial intelligence, financial crime investigation and prosecution and confiscation of criminal assets.

Why has the IoM not done well in some areas?

The IoM conducted its own national risk assessment for AML/CFT which was completed in 2015. This risk assessment highlighted that improvements were needed to make the financial intelligence unit (FIU) work more effectively. At that time the FIU was part of the Financial Crime Unit. As the work of the FIU is crucial to providing intelligence for investigation and ultimately prosecution and the seizing and confiscating of criminal assets these areas were also negatively affected. The MONEYVAL evaluation agrees with the findings of the IoM national risk assessment regarding the challenges facing law enforcement and makes a number of recommendations.

Is there anything else identified by MONEYVAL?

The report makes a number of other recommendations including, for example, the need to improve data collection, develop a criminal justice policy for money laundering investigations and prosecutions, re-assess the risk posed by certain sectors and activities and the

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interactions between certain sectors, increase guidance to industry in a number of areas and provide additional supervision and sanctioning powers to the Gambling Supervision Commission.

What is being done to address the shortcomings identified?

Measures have already been introduced; for example in April 2016 the FIU was established as a separate legal entity separating it from the Financial Crime Unit (FCU). The FIU has received additional resources to help improve performance and a new Director has been appointed. The FCU has been incorporated into the IOM Constabulary. A new lawyer-led Asset Recovery Unit has also been established with a remit to improve the confiscation and recovery of criminal and civil assets.

Will there be a lot of new legislation and regulation for industry?

The MONEYVAL report confirms that the IoM has a very strong technical framework; there are however a few areas which will require new legislation, for example to provide the Gambling Supervision Commission with a broad range of sanctioning powers. The report also makes recommendations for regulators to provide increased guidance for industry in some areas which may require some legislative changes to be made.

The IoM is now in 'enhanced follow-up' what does this mean?

All countries are subject to some form of follow-up procedures following an assessment to ensure that a continuous and on-going system of monitoring takes place. The IoM is in the "enhanced" follow-up procedures because the ratings for the effectiveness of the Island's AML/CFT were not sufficiently high. The IoM will be required to provide a formal report to MONEYVAL in 12 months' time to demonstrate that improvements are being delivered. The report will be considered and if sufficient progress has been made the Island will be removed from "enhanced" follow-up and will then go into the "regular" follow-up procedure.

How does our report compare to that of other countries assessed under the same criteria?

It is not unusual for countries to be placed into the enhanced follow-up process. Worldwide 87% of the countries assessed to date under this new style evaluation have been placed into this process.

Will all countries be evaluated under this process?

Yes, except for a very small number of countries such as Iraq where conflicts are taking place and it is currently impossible to do so. It is envisaged that it will take in the region of eight years to evaluate all the jurisdictions. Amongst others, reports for Sweden, Ireland, Slovenia and Andorra will be published this year. The assessment of the UK begins at the end of 2017.