



Jersey
Financial
Services
Commission

JFSC action plan in response to Jersey's 2024 MONEYSVAL Mutual Evaluation Report

November 2024

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This document lays out our planned response to the Recommended Actions in Jersey's MONEYVAL Mutual Evaluation Report that are specifically for the JFSC to complete.

Background

On 24 July 2024, MONEYVAL, a permanent monitoring body of the Council of Europe that assesses jurisdictions' compliance and effectiveness in combatting financial crime, published their Mutual Evaluation Report (**MER**) of Jersey. The report was a very strong result for Jersey, confirming our effectiveness in preventing financial crime is among the highest level found in jurisdictions around the world.

As with every MONEYVAL evaluation, the MER also contains a set of Recommended Actions to further strengthen Jersey's anti-money laundering and countering the financing of terrorism (**AML/CFT**) measures. Jersey's report contained 54 Recommended Actions directed at a range of Jersey authorities with AML/CFT responsibilities, including the JFSC. 13 of these actions were identified as priority actions and have been addressed in the Government of Jersey's National High Level Action Plan, also published on 24 July 2024.

Scope and purpose of this plan

This plan outlines how we will respond to the Recommended Actions that are solely for the JFSC to complete. It does not cover recommendations that the JFSC may contribute to alongside other Jersey authorities. We have developed this plan to support a smooth and effective implementation. We have given as much detail as possible at this stage, while identifying those areas where more analysis is needed. There are actions which will need to be developed further. For many of the Recommended Actions, at this stage we have provided our timeframes for completion of the first stage of work. Following this, further work and timeframes will be scoped out and communicated.

We will continue to prioritise engagement with industry bodies and members of the industry as we progress our response to the JFSC-specific Recommended Actions, alongside working closely with the Government of Jersey and other Jersey authorities.

As we continue this work, and work alongside other Jersey agencies, priorities and deadlines may change. We will continue implementing the recommendations while also remaining flexible to changes to our schedule, based on national priorities. We will also provide updates on our progress against this plan.

Combatting financial crime and the other serious harm it facilitates is our responsibility as members of the international community. It is also fundamental to Jersey's long-term economic success. We remain committed to working alongside our stakeholders to comply with the MONEYVAL Recommended Actions.

| Line ref. | MONEYVAL 2024 Report: Recommended Actions | What does this mean? | What will we do to complete this Recommended Action? | Timeframe |
|-------------------------|---|--|---|---|
| Priority Actions | | | | |
| 1. | <p>Executive Summary / Priority Action (f): The JFSC should ensure that periodic reviews of high-risk customers (particularly legacy customers) always include the obtaining of documentary/ corroborating evidence to ascertain SOF/SOW (where evidence is lacking) and updating beneficial ownership information (except where TCSPs are providing management services).</p> | <p>Corresponding Immediate Outcome – IO4 The MER notes certain weaknesses were identified in relation to holding up-to-date SOF/SOW information on existing customers (“legacy” customers) [para 28]. More specifically, some TCSPs interviewed onsite stated that verifying SOW in relation to “legacy” customers is challenging and that verification documents may not always be requested during periodic reviews, unless there is a trigger event (e.g. adverse media) and sometimes it is impossible to verify “historic” wealth anyway (e.g. due to lapse of time from the initial wealth-generating activities) [para 480].</p> | <p>This action requires the JFSC to undertake a review of entities’ understanding and subsequent application of periodic reviews of high-risk customers (particularly legacy customers). The JFSC will undertake a review of current guidance available and update, as appropriate. Consideration will be given to how the guidance can be strengthened in order to make the obligations and expectations clearer. The JFSC will undertake a review of its supervisory practices to ensure that compliance with these specific obligations is adequately tested. Working in collaboration with industry the JFSC will consider the need for further outreach.</p> | <p>Initial review of guidance and supervisory practices to be completed by Q2 2025. Further work and timelines will be determined thereafter.</p> |
| 2. | <p>Executive Summary / Priority Action (g): The JFSC should ensure that REs assess the risks appropriately and apply the exemptions available for customers/investors of TCSPs and unregulated or non-public funds only where risks are low.</p> | <p>Corresponding Immediate Outcome – IO4 The MER notes the use of CDD exemptions relating to the identification of underlying customers appears to be declining overall, but some REs still using them do not always consider sufficient information for assessing risks to ensure that exemptions are only applied in low-risk situations [para 28]. More specifically, FIs met onsite struggled to articulate how risks related to underlying customers are assessed. Some FIs obtain information from the TCSPs/funds on the classification of risks in the underlying customer portfolio and its exposure to PEPs [para 451].</p> | <p>The JFSC will undertake a review of existing guidance on exemptions to establish how they can be strengthened to make the obligations and expectations clearer. The JFSC will undertake a review of its supervisory practices to ensure that compliance with these specific obligations is adequately tested. Working in collaboration with industry the JFSC will consider the need for further outreach. The JFSC will also undertake a review of data currently collected on the use of exemptions and identify additional data points which need to be collected (if any).</p> | <p>Initial review of guidance and supervisory practices to be completed by Q2 2025. Further work and timelines will be determined thereafter.</p> |
| 3. | <p>Executive Summary / Priority Action (h): Jersey should further enhance criminal background checks for new applicants and the existing licensees whenever there is a change of control, shareholding or key function to better prevent criminals or their associates from operating in the regulated market.</p> | <p>Corresponding Immediate Outcome – IO3 As it relates to this action, the MER notes: • The JFSC’s practice of relying on a self-declaration by the applicant to report criminal convictions and screening against specific lists is a less effective control in comparison to of the requirement for criminal record certificates as a routine practice [Exec. Summary, Key finding (h)]. • For criminal checks, whilst the JFSC has the ability to require the provision of a criminal record certificate, it has not done so as a matter of routine practice [para 539].</p> | <p>The JFSC will release a consultation paper proposing enhancements to criminal background checks for Principal and Key Person applicants. The JFSC will consider further steps following feedback received on the consultation paper.</p> | <p>Consultation paper to be launched in 2024. Further timelines will be determined following consultation process.</p> |
| 4. | <p>Executive Summary / Priority Action (i): The application of the sanctioning regime should be revised (in particular the guidance criteria to determine the severity of the sanction) so as to ensure that, in cases of serious breaches, the imposition of a wider range of severe and proportionate penalties, including pecuniary sanctions is prioritised.</p> | <p>Corresponding Immediate Outcome – IO3 As it relates to this action, the MER notes: • When it comes to breaches, the JFSC’s approach greatly relies on remedial actions. Imposition of sanctions has been modest, and in the case of financial penalties, minimal and not in line with the risk profiles of the entities and the number and types of breaches detected. While supervisory efforts have had some positive impact on compliance, there is still room for improvement as seen in IO.4 and the number of breaches has remained quite steady [Exec summary, Key finding (h)].</p> | <p>The JFSC will undertake a review of existing internal decision making policies and guidance pertaining to sanctions and consider where this can be refined further.</p> | <p>Guidance to be reviewed by end of Q1 2025. Follow up work and timelines to be determined.</p> |

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| 5. | <p>MER Executive Summary / Priority Action (j): The JFSC and the Registry supervision function should continue to review and refine the scope of their supervisory activities in relation to legal persons and arrangements with a view to detecting more serious breaches, such as cases of BO concealment.</p> | <p>Corresponding Immediate Outcome – IO5 The MER notes that BO information of legal arrangements (mostly trusts) is collected, maintained, updated and made available to competent authorities almost exclusively by TCSPs. Supervisory actions concerning the sector have so far uncovered few shortcomings related to BO information obligations and the numbers of trusts covered are below those of the full trust population [Exec summary. Key finding (i)].</p> | <p>The JFSC and Registry supervision will undertake a review of current supervisory practices and consider how enhancements can be made. Any changes will be duly communicated along with an outreach programme.</p> | <p>Review to commence by end of Q1 2025. Follow up work and timelines to be determined.</p> |
| 6. | <p>MER Executive Summary / Priority Action (k): Jersey should fully implement risk-based supervisory oversight measures for the non-profit sector.</p> | <p>Corresponding Immediate Outcome – IO10 As it relates to this action, the MER notes that the risk-based supervisory oversight over the NPO sector commenced in January 2023, therefore, its effectiveness is still to be fully demonstrated [IO10, Key finding (b)].</p> | <p>Risk-based supervision for NPOs was only recently implemented (January 25023) and continues to be embedded. The JFSC will undertake a review of how it supervises NPOs to ensure supervision of the sector remains risk-based and effective.</p> | <p>Supervision of NPO sector is already in effect. Review to completed by end of 2025.</p> |
| 7. | <p>MER Executive Summary / Priority Action (l): Jersey should strengthen TFS supervisory approach. This should include applying higher scrutiny to TFS supervision especially on-site examination checks and increasing the capability of the obliged entities to identify close associations and indirect links to sanctioned persons to better prevent sanctions evasion risks.</p> | <p>Corresponding Immediate Outcome – IO11 Obliged entities are generally aware of TFS screening obligations and the requirements to freeze funds/assets, however, the implementation techniques vary across FIs and DNFBPs with difficulties reported by obliged entities to identify close associations and indirect links with sanctioned entities and individuals. Obliged entities would benefit from further guidance in this regard in order to prevent sanctions evasion risk, as well as guidance on PF as distinct from TF. Supervisory arrangements to monitor compliance with TFS requirements are in place, however, the supervisory practices should be strengthened [Exec summary, para 24].</p> | <p>The JFSC will undertake a review of TFS supervisory practices and examination processes and consider where enhancements can be made. The JFSC will also undertake a review of existing guidance in the areas highlighted and consider how enhancements can be made.</p> | <p>Initial review of TFS supervisory practices and examination processes to be completed by end of Q2 2025. Further work to be determined.</p> |

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| Immediate Outcome Specific Actions | | | | |
| 8. | <p>Immediate Outcome 3 / Recommended Action (a): Jersey should enhance criminal background checks for beneficial owners, controllers and key function holders applied at the market entry stage and in the course of subsequent changes. The criminality checks for the existing DNFBPs that have not been subject to criminality checks at the time of registration need to be applied retrospectively.</p> | <p>The MER notes: Controls by the JFSC to prevent criminals from entering the regulated market have been enhanced throughout the review period. Whilst FIs and TCSPs have been subject to criminality checks over the entire period of review, similar checks for DNFBPs and VASPs have been introduced relatively recently, in March 2022 and January 2023 respectively. The JFSC's practice of relying on a self-declaration to report criminal convictions followed by checks in specific databases instead of requesting criminal record certificates as a routine practice is a vulnerability. [Immediate Outcome 3, key finding (a)].</p> | <p>Enhance criminal background checks. Retrospective checks for existing DNFBPs – all Key and Principal Persons have now been subject to Police National Computer checks.</p> | <p>Refer to Priority Action (h) above in relation to criminal checks. Retrospective checks completed.</p> |
| 9. | <p>Immediate Outcome 3 / Recommended Action (b): The JFSC should continue to enhance its institutional risk assessment model to further advance its understanding of ML/TF risk, prioritising the key areas, such as product/ service risks, transactional activities and higher-risk client groups for which risk criteria are less developed.</p> | <p>The MER notes: The JFSC has a good understanding of the ML risks, especially for the materially important sectors namely banks, investment (funds) business and TCSPs; however, TF risk understanding is developed to a lesser degree. Understanding of risks in the VASP and casino sector is moderate. The process of assessment of the institutional risks (exclusions for some sectors apply), albeit continuously developed throughout the review period, would benefit from further enhancement to allow for greater institutional risk understanding, especially in the key areas such as product/service, client and transactional activities risk [Immediate Outcome 3, key finding (b)].</p> | <p>The JFSC reviews its institutional risk model on an ongoing basis, to ensure that it remains accurate and up to date and to identify where it may be enhanced. The JFSC will undertake a review of the data points used in the risk model for ML/TF risks, considering key areas such as product/ services risks, transactional activities and higher-risk client groups, and consider where enhancements can be made.</p> | <p>Initial review to be completed by end of Q4 2024. Follow up work and timelines to be determined.</p> |
| 10. | <p>Immediate Outcome 3 / Recommended Action (c): The JFSC should consider making further use of the full-scope and focused/targeted examinations, and alternatively, off-site supervisory tools, to ensure that there is always adequate coverage of all AML/CFT obligations across all sectors, especially in relation to those entities and sectors that have not had all aspects of their AML/CFT obligations yet assessed</p> | <p>The MER notes: Supervision by the JFSC concentrates on higher risk entities in the materially important FI and DNFBP sectors, which have been subjected to more examinations and thematic reviews over the assessment period. TCSPs have been subject to supervision on the same level as FIs, if not more, due to the materiality of the sector. The number of resources to assist with supervisory activities has improved throughout the assessed period. Full-scope and focused/targeted inspections have been in the minority side for most of the sectors, with thematic inspections and reviews having been more prominent. Examination of VASPs began in 2022 and, as a consequence, compliance of the sector with the full range of AML/CFT obligations had not been supervised yet [Immediate Outcome 3, key finding c)].</p> | <p>The JFSC will review its supervisory strategy to ensure that the frequency and type of examinations it utilises is proportionate to risks presented by different industry sectors and individual REs. Examination and supervision of those sectors and REs will then be built into the supervisory strategy going forward.</p> | <p>Review to be completed by end of Q2 2025, with further work to be determined.</p> |
| 11. | <p>Immediate Outcome 3 / Recommended Action (d): The JFSC should apply greater scrutiny to the breaches emanating from supervision, clearly distinguishing those more severe in nature, for the purposes of the imposition of sanctions upon non-compliant entities.</p> | <p>As it relates to this recommended action, the MER notes: Despite all of these aspects, the JFSC has indicated that 90% of its examinations still result in findings requiring remediation. This means that the majority of the examinations result in findings indicating non-compliance/deficiencies with regards to AML/CFT obligations that are assessed. This is based on the data which excludes those entities which have not been inspected across the FI, DNFBPs and VASPs sectors. Authorities advised that the high number of findings is to be explained due to a low threshold regarding what is considered a “finding”, and that even minor shortcomings in overall “largely compliant” entities would still constitute a finding to be recorded. Consequently, few cases have been referred to the HRR team and the enforcement division of the JFSC throughout the period reviewed [paragraph 638].</p> | <p>The JFSC will undertake a review of how breaches and findings are recorded. This will include seriousness categorisation. The purpose of this review will be to ensure we are correctly classifying and recording breaches/findings and taking appropriate action where serious outcome breaches are identified. We will also communicate our overall approach to this to help industry better understand how we assess seriousness and rate our findings.</p> | <p>Initial review to commence by end of Q4 2024. Follow up work and timelines to be determined.</p> |

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| Immediate Outcome Specific Actions | | | | |
| 12. | <p>Immediate Outcome 3 / Recommended Action (e): The application of the sanctioning regime should be revised (in particular the guidance criteria to determine the severity of the sanction) so as to ensure that, in cases of serious breaches, the imposition of a wider range of severe and proportionate penalties, including pecuniary sanctions is prioritised.</p> | Please see Priority Action (i) above. | Please see Priority Action (i) above. | - |
| 13. | <p>Immediate Outcome 3 / Recommended Action (f): The JFSC should strengthen TF-related TFS supervisory practices with a focus to increase scrutiny of on-site checks.</p> | Please see Priority Action (l) above. | Please see Priority Action (l) above. | - |
| 14. | <p>Immediate Outcome 3 / Recommended Action (g): The authorities should issue sector specific guidance prioritising DNFBPs and VASPs. Guidance documents should cover specificities of the products and services offered by different sectors in greater detail, identification of suspicious activities in different sectors and how specific service or product can be abused for ML/TF purposes. Training activities should be aligned to sectorial needs, i.e., taking into account sectorial and individual risks and vulnerabilities.</p> | <p>The MER notes: The JFSC utilises a broad range of mechanisms to promote the understanding of ML/TF risks and obligations. A holistic implementation guidance on AML/CFT controls is available, however, DNFBP and VASPs would also benefit from sector specific guidance focused on the implementation of effective AML/CFT controls. Additionally, further sector specific guidance aimed at assisting the obliged entities to identify suspicious activities would be beneficial. It is not clear to what extent sectorial and individual risks are being considered when planning the training interventions [Immediate Outcome 3, key finding (g)].</p> | The JFSC will build into its work plan a review of current guidance available, to identify where enhancements can be made. As part of this review, consideration will be given to sector prioritisation, taking a risk-based approach. The review will also include a review of outreach/training activities. | Initial review to be completed in 2025. Implementation of any enhancements would then take place thereafter. |
| 15. | <p>Immediate Outcome 4 / Recommended Action (a): The JFSC should continue its efforts at strengthening the awareness of ML/TF risks (particularly among non-bank FIs and DNFBPs, other than larger TCSPs and law firms) to ensure that business specific risks are well-understood and addressed.</p> | <p>The MER notes: Understanding of ML risks and AML/CFT obligations is generally good across all sectors, although this was not the case for the entire period under review. Banks demonstrated the highest understanding of ML risks among FIs and were able to articulate both sectoral risks and risks identified through business risk assessments (BRAs). Larger TCSPs and law firms have better understanding of ML risks and AML/CFT obligations among DNFBPs. Understanding of TF risks is, overall, less well-developed and mostly focused on risks related to NPOs and persons subject to TFS (IO4, key finding a)).</p> | <p>This action asks the JFSC to “continue its efforts”, therefore, we will build into our workstreams ongoing reviews of guidance issued and outreach undertaken for non-bank FIs and DNFBPs.</p> <p>The JFSC will continue, through its supervisory practices, to ensure that business specific risks are well-understood and addressed (non-bank FIs and DNFBPs).</p> | Ongoing |
| 16. | <p>Immediate Outcome 4 / Recommended Action (b): The JFSC should provide REs with the detailed guidance on complex structures to ensure that the identification of these structures and application of appropriate EDD measures is consistent across all REs.</p> | <p>The MER notes: Risk mitigating measures applied by REs, such as corroboration of source of wealth (SOW) and understanding of economic substance, are mostly commensurate to risks, although their effectiveness improved more recently. Banks and TCSPs have restricted their risk appetite in relation to aggressive tax avoidance practices. TCSPs are also able to adequately oversee the activities of legal persons and arrangements by actively participating in their daily operations. There is however uneven implementation of risk mitigating measures in relation to complex structures as the criteria employed for identifying those structures varies significantly between REs [Immediate Outcome 4, key finding (b)].</p> | The JFSC will commence a review of current guidance provided in relation to complex structures, to identify where enhancements can be made. The JFSC will engage with industry members in undertaking this work. | <p>Initial review of guidance to be completed by the end of Q2 2025.</p> <p>Further work and timelines will be determined thereafter.</p> |

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| 17. | <p>Immediate Outcome 4 / Recommended Action (c): The JFSC and the Central Registry should ensure that all REs understand fully the concept of control over legal entities through means other than ownership by providing more granular guidance and increasing outreach. This should include additional indicators that would cause REs to trigger relevant inquiries where appropriate.</p> | <p>The MER notes: CDD and record-keeping obligations are generally well understood. Risk-based processes are in place to undertake CDD measures, including the identification of BOs, although not all REs understand fully the concept of control through other means [Immediate Outcome 4, key finding c]. As acknowledged in IO.4, it can be concluded that TCSPs understanding of risks and AML/CFT obligations, as well as their capacity to apply the 3-tier test when identifying the BO, is, overall, good, even if instances of some TCSPs struggling to articulate the concept of control through other means other than ownership interest may impact the accuracy of BO information on legal arrangements held by those TCSPs [paragraph 729].</p> | <p>The JFSC and the Central Registry will commence a review of current guidance on control by other means, to identify where enhancements can be made. Following completion of this, consideration will be given to outreach to ensure understanding and awareness.</p> | <p>Work to commence in Q2 2025. Implementation of any enhancements will take place thereafter.</p> |
| 18. | <p>Immediate Outcome 4 / Recommended Action (d): In relation to PEPs, the JFSC should ensure that REs: (i) apply all EDD measures (particularly senior management approval and enhanced monitoring of business relationship) required by the FATF standards to every foreign PEP customer (incl. legal entities and arrangements with foreign PEP BOs); and (ii) consider as close associates of PEPs and apply the relevant EDD measures to individuals closely connected to PEPs either socially or professionally.</p> | <p>Corresponding findings from the MER are: The specific measures are generally applied for PEPs, new technologies, wire transfers, TF-related TFS and higher-risk countries, while the provision of correspondent banking services is very limited. Customers connected to foreign PEPs and higher-risk countries are subject to enhanced onboarding processes. However, most REs only apply all relevant EDD measures (e.g. senior management approval, enhanced monitoring) where there is an accumulation of ML/TF risks in respect of customers connected to foreign PEPs (as opposed to a foreign PEP status being a sufficient trigger). There is also uneven understanding of the concept of a close associate who is connected to a PEP either socially or professionally across all sectors (IO4, key finding d)).</p> | <p>Part (i): The JFSC will undertake a review of existing guidance on PEPs, to see how it can be enhanced to make the obligations and expectations of REs clearer. Part (ii): The JFSC will undertake a review of the requirements and guidance in relation to “close associates” of PEPs, to determine whether any enhancements are necessary in order to ensure social/professional connections are incorporated.</p> | <p>Initial review of guidance to be completed by the end of Q2 2025. Further work and timelines will be determined thereafter.</p> |
| 19. | <p>Immediate Outcome 4 / Recommended Action (e): The JFSC should ensure that periodic reviews of high-risk customers (particularly legacy customers) always include the obtaining of documentary/corroborating evidence to ascertain SOF/SOW (where evidence is lacking) and updating beneficial ownership information (except where TSCPs [sic] are providing management services).</p> | <p>Please see Priority Action (f) above.</p> | <p>Please see Priority Action (f) above.</p> | <p>-</p> |
| 20. | <p>Immediate Outcome 4 / Recommended Action (b): The JFSC should ensure that REs assess the risks appropriately and apply the exemptions available for customers/investors of TCSPs and unregulated or non-public funds only where risks are low.</p> | <p>Please see Priority Action (g) above.</p> | <p>Please see Priority Action (g) above.</p> | <p>-</p> |
| 21. | <p>Immediate Outcome 4 / Recommended Action (h): Regarding SAR reporting, the JFSC should: (i) continue its efforts at monitoring and enhancing the effectiveness of internal systems and processes of REs for identifying and reporting of suspicious activity; and (ii) ensure that all REs are submitting SARs to the FIU promptly after the ML/TF suspicions are formed.</p> | <p>The MER notes: Improvement with regards to the timeliness of SAR reporting has also been demonstrated through the information provided by the JFSC (from 19 days reduced to 9 days in 2021), although further improvements are required, as seen in IO.4 [paragraph 636].</p> | <p>The JFSC will review its supervisory practices and documentation to ensure checks on the effectiveness of internal systems and controls in relation to suspicious activity reporting, and in particular the timely reporting of suspicions, continue to be adequately assessed in supervision and examinations engagements.</p> | <p>Review to be completed by end of Q1 2025, with further work to be determined.</p> |

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| 22. | <p>Immediate Outcome 5 / Recommended Action (b): Jersey should consider extending the direct access to the Central Registry to obliged entities and to introduce an obligation for them to report discrepancies should they discover inaccurate, missing or out of date information, to help ensure accuracy.</p> | <p>The MER notes: There is a formal mechanism established for competent authorities (FIU, Attorney General, Revenue Jersey) to report to the Registry any discrepancies concerning BO information, according to their information sharing agreements. Authorities claim that no discrepancies have been uncovered between the information they hold and what is available in the Registry. Obligated entities do not have access to the Registry BO information. Overall, Jersey's framework would benefit from promoting further use of the BO information held in the Registry by extending direct access to obliged entities and from establishing discrepancy reporting requirements for them (para 718).</p> | <p>The Registry continues to collaborate with the Government of Jersey to meet this action. Registry is enhancing the Contact Us Form on the JFSC website to enable optional discrepancy reporting.</p> | <p>Access to BO information to Obligated Entities will be available by the end of 2024 in line with GoJ commitment. Work on discrepancy reporting is also under way.</p> |
| 23. | <p>Immediate Outcome 5 / Recommended Action (e): Jersey should ensure the use of the full scale of sanctions available (in some cases recently introduced) beyond the use of late fees, strike off notices and breaches of the formal requirements to appoint a nominated person or submit an annual confirmation statement where appropriate breaches are identified.</p> | <p>The MER notes: For legal persons, the authorities have established and used a progressive scale of sanctioning powers ranging from the use of increasing late fees through strike off and ultimately criminal prosecution (which has been introduced relatively recently), which have been mostly imposed in relation to the requirements of appointing a nominated person and submitting an annual confirmation statement. No sanctions have been applied for the provision of false or misleading BO information and few for not updating BO information to the Registry within 21 days of a change [Immediate Outcome 5, Key finding e].</p> | <p>The Registry will undertake a review of how it records and applies appropriate sanctions, where breaches are identified. This review will include a review of current practices and procedures. The Registry Supervision team will undertake a review of current supervisory practices and consider how enhancements can be made (please see Priority Action (j)).</p> | <p>Review to commence by end of Q4 2024.</p> |
| 24. | <p>MER Immediate Outcome 10 / Recommended Action (a): The authorities should take necessary actions to (i) fully implement the risk-based supervisory oversight measures to NPOs; (ii) extend monitoring aimed at registration of new Prescribed NPOs; (iii) further guide NPOs in identifying and mitigating TF threats, risks and vulnerabilities, including red flags for potential TF and provide more targeted training to the sector on the mentioned topics; (iv) consider whether the measures in place for Prescribed NPOs are proportionate for all entities falling within this category and effectively target various level of TF risk exposure.</p> | <p>The MER notes: Following TF risk assessment of the NPO sector, Jersey authorities started applying mitigation measures that resulted in revision of the current legal framework and introduction of risk-based oversight principles. The AT has some concerns, however, regarding the proportionality of measures applicable to the vulnerable subset of NPOs. Whilst the JFSC was very active in raising the awareness of the NPO sector with regard to TF risks, more guidance aimed at protection from TF abuse is needed. Given that the risk-based supervisory oversight over the NPO sector commenced in January 2023, its effectiveness is still to be fully demonstrated (IO10, Key finding (b)).</p> | <p>The JFSC will:</p> <ul style="list-style-type: none"> continue implementation of risk-based supervisory approach for NPOs (please see Priority Action (k) above) undertake a review of supervisory approach of NPOs to ensure supervision of the sectors remains risk-based, effective and proportionate collaborate with other competent authorities to provide further assistance to NPOs (via outreach and/or training) in identifying and mitigating TF threats, risks and vulnerabilities, including red flags for potential TF undertake a review, to consider how monitoring of the sector can be extended to cover registration of new Prescribed NPOs | <p>Review to be completed by end of 2025.</p> |
| 25. | <p>Immediate Outcome 11 / Recommended Action (a): The JFSC should: (i) enhance its sanctions' risk assessment model so that it is better tailored to flag sanctions' evasion risk exposure and broaden its use; (ii) increase the scrutiny of TFS on-site checks, including more focus on the identification of indirect links and close associations with entities and individuals subject to sanctions; (iii) collect and analyse data aimed at measuring changes of TFS compliance trends.</p> | <p>The MER notes: Commonly, TFS forms a standard element of full scope AML/CFT on-site examinations. The supervisor can be commended for conducting an additional thematic review with a specific focus on TFS-related controls in 2022. However, apart from one finding (for which no enforcement actions have been applied yet), no serious compliance failures have been identified by the JFSC to date, consequently, no sanctions have yet been applied. The JFSC's sanction risk model and scrutiny of TFS on-site checks would benefit from further improvements [Immediate Outcome 10 and 11, Key finding (f)].</p> | <p>The JFSC will undertake a review of the TFS-specific data points used in its risk model, and consider where enhancements can be made. This may require collection of additional data points in the future, however, this will not be outlined until the review is undertaken. The JFSC will also will undertake a review of TFS supervisory practices and examination processes and consider where enhancements can be made (please see Priority Action (l) above). Analysis of TFS compliance trends information to be undertaken as part of the JFSC's supervisory and examinations work.</p> | <p>Review of TFS specific data points to be completed by the end of 2024. Based on the results of this, further work to be determined.</p> |

Glossary - terms used as per the Mutual Evaluation Report

| Terms | Definitions | Terms | Definitions |
|---------------|--|--------------|----------------------------------|
| AML | Anti Money Laundering | NPO | Non-Profit Organisation |
| AT | Assessment Team | PEP | Politically Exposed Person |
| BO | Beneficial Owner | RE | Reporting Entity |
| CFT | Combatting the Financing of Terrorism | SAR | Suspicious Activity Report |
| DNFBPs | Designated Non-Financial Business Profession | SOF | Source of Funds |
| EDD | Enhanced Due Diligence | SOW | Source of Wealth |
| FIs | Financial Institutions | TCSP | Trust Company Services Providers |
| JFSC | Jersey Financial Services Commission | TF | Terrorist Financing |
| MER | Mutual Evaluation Report | TFS | Targeted Financial Sanctions |
| ML | Money Laundering | VASPs | Virtual Asset Service Providers |