



**Jersey Financial
Services Commission**

Thematic examination programme 2024

Feedback - politically exposed persons

Glossary

Term	Definition
AML	anti-money laundering
AML/CFT/CPF CoP	AML/CFT/CPF Codes of Practice contained in the handbook
CFT	countering the financing of terrorism
CPF	countering proliferation financing
EDD	enhanced customer due diligence
FATF	Financial Action Task Force
financial crime	money laundering, the financing of terrorism, proliferation financing, and non-implementation/breaching/circumvention/evasion of targeted financial sanctions
FIU	Financial Intelligence Unit for Jersey as designated by the regulations made under Article 41B of the Proceeds of Crime (Jersey) Law 1999
handbook	handbook for the prevention and detection of money laundering, the countering of terrorist financing, and the countering of proliferation financing
Money Laundering Order	Money Laundering (Jersey) Order 2008
PEP(s)	politically exposed person(s). An individual who is any of the following (within the meaning of Article 15A of the Money Laundering Order): <ul style="list-style-type: none"> (a) a domestic politically exposed person (b) a foreign politically exposed person (c) a prominent person
regulatory laws	collectively the Banking Business (Jersey) Law 1991; Collective Investment Funds (Jersey) Law 1988; Financial Services (Jersey) Law 1998; Insurance Business (Jersey) Law 1996 and the Alternative Investment Funds (Jersey) Regulations 2012
review period	the dates during which we assess a supervised person's compliance with relevant obligations. For this thematic exam on politically exposed persons, the review period was from 1 December 2022 to 30 November 2023
supervised person	defined in Article 1 of the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008. Includes persons regulated by the JFSC under

	one of the Regulatory Laws and designated non-financial services businesses and professions (DNFBPs)
--	--

Contents

1	Executive summary	5
2	Background and scope	6
2.1	Background.....	6
2.2	Examination scope	6
3	Overall findings and good practice	8
3.1	Key statistics	10
3.2	Assessment of examination results and findings.....	10
3.3	Action required.....	11
4	Detailed findings	12
4.1	Corporate governance.....	12
4.1.1	Business risk assessment	12
4.1.2	Effectiveness of systems and controls.....	12
4.2	Systems and controls (including policies and procedures)	13
4.2.1	Failure to comply with policies and procedures.....	13
4.2.2	Inadequacies or failure to maintain policies and procedures	13
4.3	Identification measures.....	14
4.3.1	Identifying PEP status	14
4.3.2	Exemptions	14
4.3.3	Declassification of PEP status	15
4.4	Ongoing monitoring	15
4.4.1	Periodic reviews.....	15
4.4.2	Screening.....	15
4.5	Staff training	16
5	Next steps	16

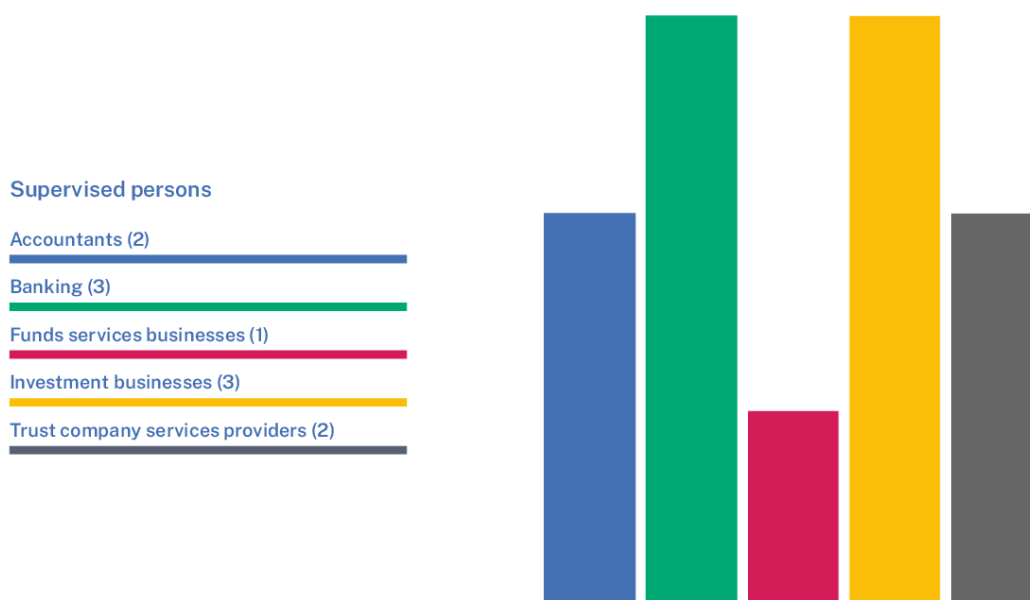
1 Executive summary

In November 2023, we published an [industry update](#) outlining our plan to conduct a thematic examination on how supervised persons were meeting their obligations regarding politically exposed persons (PEPs). The examinations took place during the first half of 2024.

The two main reasons for selecting this theme were:

- › the island's exposure to the higher risks of conducting business with customers who are either PEPs or who have a PEP connection, highlighted in the 2023 update to Jersey's [National Risk Assessment: Money Laundering \(2023\)](#)
- › the recent changes to Article 15A of the Money Laundering Order which enables a supervised person to declassify a PEP, provided certain requirements are met

We examined a cross section of industry including accountants, banks, fund services business, investment businesses and trust company service providers. The graph below represents the spread across these sectors:



The findings from this thematic examination indicate that supervised persons should be considering their own arrangements for PEP customers but specifically:

- › adequacy and maintenance of policies and procedures
- › CDD arrangements (identification measures and ongoing monitoring)
- › corporate governance, specifically ensuring the board can evidence adequate oversight

The changes to the Money Laundering Order to enable the declassification of PEPs, with different timeframes depending on the type of PEP, came into force in September 2023. Supervised persons overall had implemented adequate policies and procedures addressing differing declassification requirements depending on the type of PEP and were performing and documenting risk assessments prior to declassifying PEP customers.

2 Background and scope

2.1 Background

We regularly undertake thematic examinations to assess the extent to which statutory and regulatory requirements are being complied with in targeted areas. They may be sector-specific, but more often consider themes across multiple sectors. The purpose of this feedback paper is to publish an anonymised summary of the key findings identified during the thematic examinations and set out relevant good practice for the benefit of all supervised persons.

Information about the examination process is available on our website: [about the examination process](#).

The FATF requires jurisdictions to ensure specific preventative measures are put in place to mitigate the risks associated with conducting business with PEPs. It recognises that persons entrusted with a prominent public function are at a greater risk of having their positions abused for the purpose of laundering illicit funds or other predicate offences such as bribery and/or corruption. See [FATF Guidance: Politically Exposed Persons \(Recommendations 12 and 22\)](#).

Supervised persons need to understand the risks posed by their PEP customers and the associated financial crime risk(s) resulting from the nature of the PEP's function.

Supervised persons must be able to demonstrate their understanding of complex ownership structures of their customers. Identifying PEPs in the ownership structure is not just a consideration at onboarding. An individual can acquire PEP status at any time during a business relationship. In July 2024, Jersey's Financial Intelligence Unit (FIU) published [industry feedback](#) on suspicious activity reports that included a useful example of issues that can arise involving PEPs. We recommend that supervised persons consider the circumstances set out on pages 24 and 25 of the FIU's feedback in addition to this feedback paper.

The government's 2023 update of the Money Laundering National Risk Assessment noted that the risk to the island posed by PEPs needs further work to be fully understood. Prior to the amendment to the Money Laundering Order in September 2023 permitting the declassification of PEPs, the position was "once a PEP, always a PEP". The next update to the Money Laundering National Risk Assessment may see an adjustment to the data on total PEP exposure for the island as supervised persons progress with declassification, where it is appropriate to do so. The amendment to the Money Laundering Order plus the enhancements to the granular data collected through the JFSC's annual supervisory data collection exercise will go some way to improve the understanding of the island's exposure to financial crime risk associated with PEP relationships.

Industry's role in supporting this greater understanding is to ensure that the requirements put in place by the legal and regulatory framework are adhered to. This feedback paper will assist by discussing the findings from this thematic examination and by highlighting areas of good practice.

2.2 Examination scope

The objective of this thematic examination was to establish whether effective measures had been implemented by supervised persons to identify PEPs and manage the associated risks. We assessed compliance with the legislative and regulatory requirements set out in the Money Laundering Order and the handbook.

The key areas of focus for this thematic examination on PEPs included:

- › business risk assessments
- › policies and procedures
- › customer risk assessments and enhanced customer due diligence measures
- › screening

- › enhanced ongoing monitoring
- › compliance monitoring plans
- › staff training

The data provided by supervised persons as part of the annual supervisory data collection exercise helped inform which entities were selected for examination. We analysed the information submitted in relation to PEP risk exposure, which included the percentage of PEPs across each supervised person's customer base. We also considered supervised persons' data on PEPs with a connection to jurisdictions which presented a heightened risk of exposure to bribery and corruption.

Our assessment of compliance with the statutory and regulatory requirements included in the thematic examination scope was based on those in force during the review period.



3 Overall findings and good practice

The table below summarises the detailed findings set out in section 4, which were identified during the thematic examination. Examples of good practice are provided which relate to these areas. Not all examples of good practice were necessarily identified during the thematic.

Area of findings	Summary of issues identified	Good practice
Corporate governance	<ul style="list-style-type: none">› inadequate consideration and assessment of PEP risk in the business risk assessment› inadequate oversight of the effectiveness of systems and controls because the compliance monitoring programme was outsourced and not adequately mapped to Jersey's legal and regulatory requirements	<ul style="list-style-type: none">› the exposure to PEPs in a supervised person's customer base is regularly monitored to ensure it remains aligned with risk appetite› the business risk assessment clearly articulates a supervised person's understanding of the risks associated with its PEP customers, along with commensurate mitigating measures› material issues relating to compliance monitoring (such as changes to content, testing frequency, results analysis and remediation matters) are adequately recorded in the board minutes with an appropriate level of documented discussion and challenge (if any) along with clearly articulated rationale for the decisions made
Systems and controls (including policies and procedures)	<ul style="list-style-type: none">› policies and procedures relevant to PEPs contained inaccuracies and inconsistencies› a failure to maintain the PEP register in line with requirements set out in policies and procedures	<ul style="list-style-type: none">› when changes are made to legal or regulatory requirements, a thorough review of all relevant policies, procedures and guidance is undertaken to ensure the changes are reflected in a timely manner› a PEP register recording the category of PEP and the associated risk classification (e.g. standard or high risk domestic, high-risk foreign or high-risk prominent person) is maintained and periodically reviewed, with a record made of any declassification› policies and procedures relating to PEPs clearly set out the specific steps to be undertaken, and the matters to be considered and satisfied, in order to declassify each category of PEP
Identification measures	<ul style="list-style-type: none">› failure to obtain/retain documentation establishing the rationale as to why a customer is entitled to benefit from a CDD exemption	<ul style="list-style-type: none">› obtaining evidence of source of funds and/or source of wealth from a reliable independent source to corroborate self-declarations received from customers

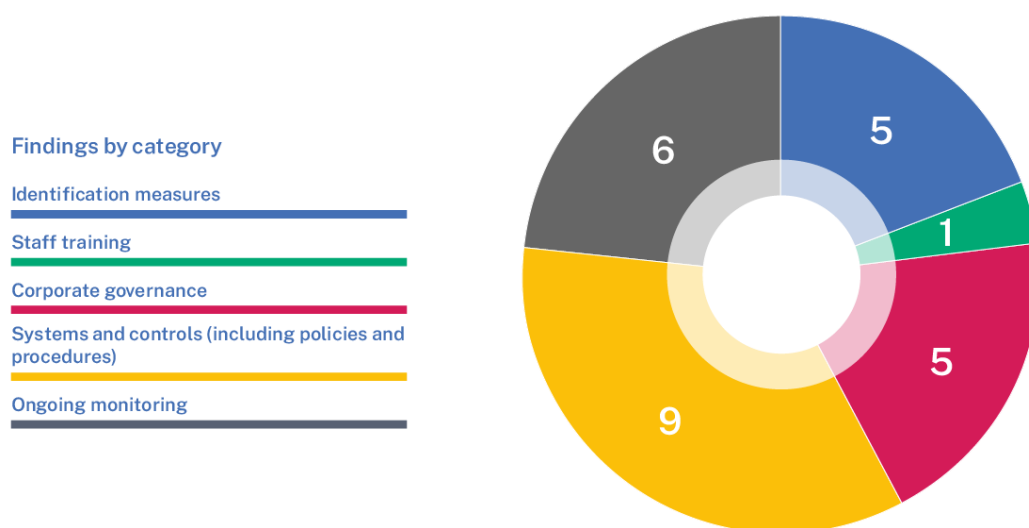
	<ul style="list-style-type: none"> › failure to identify PEPs or PEP connections at onboarding › declassifying a PEP too early, contrary to the provisions of the Money Laundering Order 	<ul style="list-style-type: none"> › taking steps to independently verify the date on which an individual ceased to perform a prominent public function
Ongoing monitoring	<ul style="list-style-type: none"> › failure to periodically assess the effectiveness of screening arrangements used to identify PEPs and PEP connections › failure to undertake periodic reviews on PEP customers at the frequency specified in policies and procedures 	<ul style="list-style-type: none"> › policies and procedures for ongoing monitoring clearly explain how to conduct effective open media searches (e.g. specifying key search terms for bribery and/or corruption) and specify what documentation needs to be retained › periodically assessing the appropriateness of the list of PEPs against which PEP screening is performed › evaluation of screening processes, includes a review of: <ul style="list-style-type: none"> › the appropriateness of the timing and frequency of screening › the effectiveness of screening (the ability to create a match against the name of a PEP) › the efficiency (the number of alerts per name screened and whether the level of false positives generated is manageable) › the configuration of automated screening tool(s) used (e.g. fuzzy logic) › the actual usage by staff (e.g. is it in line with procedures) › the completeness of screening (e.g. whether the entire customer base is screened)
Staff training	<ul style="list-style-type: none"> › training delivered to staff had not been updated, contained errors and included references to superseded legislation 	<ul style="list-style-type: none"> › training includes a comprehensive overview of the risks associated with PEPs (e.g. bribery and corruption) and includes case studies relevant to the business to give context and support understanding › training is tailored to the employee's role (e.g. those responsible for conducting periodic reviews are trained to identify factors which may indicate a customer has acquired PEP status) › training materials are reviewed regularly to ensure they contain up to date and accurate references to internal policies and procedures, and legal and regulatory requirements

3.1 Key statistics

We examined 11 supervised persons as part of the thematic, one of which had no findings. We identified 26 findings across the other 10 supervised persons:

- › two supervised persons had findings in relation to corporate governance
- › nine supervised persons had findings in relation to systems and controls (including policies and procedures)
- › five supervised persons had findings in relation to identification measures
- › four supervised persons had findings in relation to ongoing monitoring
- › one supervised person had a finding in relation to staff training

The total number of findings by category is shown below, noting that a supervised person may have more than one finding identified against any one category of finding.



In some cases, we identified similar findings to those outlined in previous examinations, for example:

- › identification measures – not identifying PEPs at onboarding: [Financial Crime Examinations Feedback from 2022 examinations](#) and [2023 countering the financing of terrorism and proliferation financing examination feedback](#)
- › ongoing monitoring – not undertaking timely reviews in relation to PEP customers: [Financial Crime Examinations Feedback from 2022 examinations](#)

3.2 Assessment of examination results and findings

During the thematic examination, we identified that supervised persons, in the main, had a good understanding of the general risks posed by PEPs. There were no findings in relation to customer risk assessments (where deficiencies were identified with CDD at onboarding, the deficiencies had not impacted the specific risk categorisation of those customers). In addition, where testing had been performed on the systems and controls in place to identify and manage PEP risk, no issues were identified with those tests.

All supervised persons examined were aware of the changes to the Money Laundering Order to permit the declassification of PEPs. However, they were at different stages of implementing changes in practice. We observed that some supervised persons were still in the process of updating their internal systems and controls (including policies and procedures), while others had completed a review of their customer base, updated relevant policies, procedures and training, and had declassified several PEPs.

Supervised persons should regularly review and, where necessary, enhance their systems and controls in relation to:

- › consideration of PEP risk within their:
 - business risk assessment
 - AML/CFT/CPF strategy
 - risk appetite statement
- › identification and assessment of PEP risk at customer onboarding, ongoing monitoring/screening and periodic/trigger event reviews
- › ensuring sufficient coverage of PEP risk, obligations, typologies, and characteristics in training materials
- › confirming decisions to declassify PEPs are made in line with the requirements set out in the Money Laundering Order

Supervised persons should also ensure that they can clearly demonstrate an understanding of the requirements to apply enhanced customer due diligence measures appropriately depending on the customer's PEP status. Enhanced customer due diligence measures must be applied, on a risk sensitive basis, to:

- › all foreign PEPs (an individual entrusted with a prominent public function in a country or territory **outside of Jersey**)
- › high risk domestic PEPs (an individual entrusted with a prominent public function **in Jersey**)
- › high risk prominent persons

Where we identify examination findings that indicate:

- › prior remediation has been ineffective
- › known deficiencies exist and have not been addressed by the board/senior management
- › appropriate consideration and action have not been taken following our earlier examination feedback

supervised persons can expect these to be deemed as aggravating factors in determining our regulatory strategy. Where we identified findings considered to be potentially serious in nature, these were brought to the attention of supervised persons and have resulted in escalation.

3.3 Action required

We expect the boards or senior management of all supervised persons to consider the findings and good practice highlighted in this feedback against their own arrangements.

Where a supervised person identifies any deficiencies in its systems and controls, we expect it to:

- › consider the notification requirements set out in paragraph 2.3 of the handbook, and where applicable, the relevant Codes of Practice (dealing with the JFSC in an open and co-operative manner)
- › prepare a remediation plan and discuss this with its supervisor, as it sees appropriate
- › execute its remediation plan in the manner set out and agreed with its supervisor
- › consider what assurance activities may provide comfort to its board or senior management team that deficiencies identified have been addressed effectively, applying appropriate ongoing controls

Supervised persons should also consider our [guidance on remediation action plans](#).

4 Detailed findings

The findings summarised in this section are from the eleven on-site examinations conducted. The findings identify a range of deficiencies which could expose supervised persons to a heightened risk of facilitating financial crime.

Please note that a finding identified during the thematic examination may comprise multiple individual elements.

4.1 Corporate governance

Section 2.3 of the handbook outlines key responsibilities of the board/senior management of a supervised person in the context of preventing and detecting financial crime as:

- › identifying the supervised person's financial crime risks
- › ensuring its systems and controls (including policies and procedures) are appropriately designed and implemented to manage those risks
- › ensuring sufficient resources are devoted to fulfilling these responsibilities

Section 2.4 of the handbook requires a supervised person to check that its systems and controls (including policies and procedures) are operating effectively and test they are being complied with.

In this thematic examination, there were five findings in respect of corporate governance.

4.1.1 Business risk assessment

The following issues were identified in findings relating to supervised persons' business risk assessments:

- › one business risk assessment failed to adequately assess the risks associated with the supervised person's exposure to its PEP customers in any detail
- › one business risk assessment was not kept up to date and therefore, there was an increased risk that it did not accurately reflect the current exposure of and response by the supervised person to PEP risk
- › one supervised person was unable to evidence that the board had adequate oversight of, or had approved revisions to, its business risk assessment.

Where the board does not periodically identify and assess the risk presented to the supervised person by its PEP customers and document these within its business risk assessment, it may not be able to determine whether its systems and controls are effective in managing and mitigating the risk. Inadequate systems controls increase the likelihood of risks crystallising.

4.1.2 Effectiveness of systems and controls

One supervised person was unable to demonstrate that its board had appropriately assessed the effectiveness of, and compliance with, its systems and controls due to a significant lack of detail in its board minutes and the absence of any other records evidencing the board's discussion or consideration relating to its compliance monitoring programme.

Another supervised person's board had failed to maintain oversight of the compliance monitoring programme which it had outsourced to a group company based in another jurisdiction. The compliance monitoring programme was inadequate because it was not mapped to either the supervised person's risks or the Jersey legal and regulatory framework. Specifically in relation to the scope of this thematic examination, no testing had been undertaken in relation to the controls in place to mitigate PEP risk.

A failure by the board to assess the effectiveness of, and compliance with its systems and controls (including policies and procedures) and/or to take prompt action necessary to address any

deficiencies may increase a supervised person's exposure to the risk of facilitating financial crime. This is of particular importance in relation to PEP customers given the heightened inherent risks associated with persons performing a prominent public function.

4.2 Systems and controls (including policies and procedures)

Section 2.4 of the handbook requires a supervised person to establish and maintain appropriate and consistent systems and controls to prevent and detect financial crime that enable it to, amongst other things:

- › apply the policies and procedures referred to in Article 11 of the Money Laundering Order
- › apply CDD measures – in line with sections 3 to 7 of the handbook
- › apply enhanced CDD measures under Articles 15, and 15A of the Money Laundering Order

Section 7.6.2 of the handbook sets out additional requirements for enhanced customer due diligence measures in relation to all foreign PEPs, high-risk domestic PEPs and high-risk prominent persons.

We identified nine findings in total in relation to systems and controls (including policies and procedures).

4.2.1 Failure to comply with policies and procedures

There were several findings identified in relation to supervised persons not adhering to their own customer due diligence procedures. In each case, the requirements were clearly set out in the policies and procedures, but the supervised person was unable to evidence that they had been followed.

The deficiencies identified included a failure to:

- › perform screening on a customer's maiden name
- › obtain the specified form of evidence of address
- › obtain adequate certification of verification documents

There were two instances where supervised persons had policies and procedures in place which required them to maintain a register of PEP customers, but the registers had not been kept up to date.

Where employees are not following the supervised person's policies and procedures, there is an increased risk that they are exposing the supervised person to a heightened risk of facilitating financial crime, because the controls that were put in place to mitigate identified risks are not being applied in practice.

4.2.2 Inadequacies or failure to maintain policies and procedures

We identified several findings in relation to the adequacy and maintenance of supervised persons' policies and procedures relating to PEPs.

Across several supervised persons, there were issues with the policies and procedures relating to ongoing monitoring. These included:

- › procedures not being updated to reflect revised periodic review cycles which had been formally agreed by the board
- › procedures for ongoing monitoring of PEP customers not reflecting what was done in practice
- › no procedure for trigger event reviews applied in practice

In one case the description of immediate family members in the supervised person's policies and procedures did not extend to grandparents, contrary to the examples included in the Money Laundering Order.

In another case, the supervised person's procedures for approving manual reductions in client risk ratings did not require the rationale for why a downgrade was appropriate to be recorded.

With respect to screening customers for PEP status or connections as part of ongoing monitoring, we identified several inadequacies where policies and procedures failed to:

- › set out what was required when discounting false positives
- › include details of how to escalate issues relating to the evaluation of alerts
- › document the process to follow in the event adverse media was identified

Inadequate, unclear and/or inconsistent policies and procedures increase the risk that employees will not apply controls in the manner envisaged to mitigate risks. This could lead to PEP status not being identified in a timely manner or at all, increasing the risk that the supervised person is not fully aware of their exposure to financial crime risks.

4.3 Identification measures

We identified five findings in relation to the identification measures.

4.3.1 Identifying PEP status

Article 15A of the Money Laundering Order sets out the enhanced customer due diligence that must be applied when:

- › undertaking a business relationship or one-off transaction with a foreign PEP
- › undertaking a high-risk business relationship or high-risk one-off transaction with a domestic PEP or prominent person

Fundamental to assessing due diligence requirements is to identify whether a customer or connected parties meet the descriptions of a PEP and where they do, whether their PEP status requires the application of enhanced customer due diligence measures.

In one case, there were multiple instances of the supervised person failing to identify that its customers were domestic PEPs or had domestic PEP connections at onboarding. Only sometime later, as a result of periodic reviews and/or trigger events, were the errors identified.

In two cases, we identified failures to identify customers as PEPs and in another case the supervised person had incorrectly classified a customer as a prominent person when in fact the customer should have been categorised as domestic PEP.

A failure to identify a PEP or a PEP connection or to incorrectly classify a PEP could result in a supervised person not properly understanding the risks to which they are exposed in their customer base. This may also mean that enhanced due diligence is not applied in cases where it is necessary, contrary to the requirements of the Money Laundering Order, resulting in risks not being adequately mitigated.

4.3.2 Exemptions

At two supervised persons, we identified failures to obtain and retain documentation that supported domestic PEP customers being entitled to benefit from an exemption from obtaining customer due diligence under the Money Laundering Order.

Where a supervised person does not retain documentary evidence outlining the rationale for being able to apply an exemption, there is a heightened risk that it may be applying an exemption in circumstances where it is not appropriate to do so. Furthermore, supervised persons may not be able to demonstrate the appropriateness of their decision. Also, when undertaking periodic reviews or considering trigger events, without knowing the reasons why any exemptions were applied, supervised persons are at risk of not being able to accurately assess whether the reasons remain appropriate.

4.3.3 Declassification of PEP status

Article 15A(2A) to (2D) of the Money Laundering Order, which allows for the declassification of PEPs came into force in September 2023.

- › a **domestic PEP** can only be considered as no longer being a PEP, **two years** after they cease to be entrusted with a prominent public function if, following a risk assessment, the person does not present a higher risk of money laundering and there is no reason to continue to treat the person as a PEP
- › a **foreign PEP** can only be considered as no longer being a PEP **five years** after they cease to be entrusted with a prominent public function if, following a risk assessment, the person does not present a higher risk of money laundering and there is no reason to continue to treat the person as a PEP
- › a **prominent person** can only be considered as no longer being a PEP **five years** after they cease to be entrusted with a prominent public function if, following a risk assessment, the person does not present a higher risk of money laundering and there is no reason to continue to treat the person as a prominent person

In two cases, supervised persons failed to independently verify the dates on which their PEP customers ceased to hold the relevant function which gave them PEP status. This resulted in the declassification being applied too early, contrary to the minimum timeframes set out above.

4.4 Ongoing monitoring

Article 3(3) of the Money Laundering Order states that ongoing monitoring means (in addition to transaction monitoring) ensuring that documents, data or information obtained under identification measures are kept up to date and relevant by undertaking reviews of existing records, particularly in relation to higher risk categories of customers, including reviews where any inconsistency has been discovered.

Article 15A of the Money Laundering Order requires supervised persons to undertake enhanced customer due diligence on relationships and one-off transactions with all foreign PEPs, higher risk domestic PEPs and higher risk prominent persons. This includes enhanced ongoing monitoring where, for example, a supervised person undertakes periodic reviews more frequently.

In relation to ongoing monitoring, there were a total of five findings across three supervised persons.

4.4.1 Periodic reviews

The following issues were identified in findings relating to periodic reviews:

- › a backlog of periodic reviews which were several years overdue and included overdue reviews for high-risk customers
- › in one case, a periodic review for a foreign PEP customer had failed to identify that evidence of identity was out of date and consequently updated evidence of identity had not been obtained in line with its procedures
- › in another case, a supervised person was unable to demonstrate that it had completed all the periodic reviews due and those which had been completed were not completed adequately or in line with the supervised person's procedures

Where a supervised person's ongoing monitoring arrangements are inadequate, or ongoing monitoring activity is delayed, there is an increased risk that a supervised person may not identify changes in risk exposure at the earliest opportunity and fail to act to mitigate the risks in a timely manner.

4.4.2 Screening

Supervised persons may undertake the following checks at onboarding and as part of their ongoing monitoring arrangements:

- › screening for PEPs and PEP connections using screening tools and other supplementary external data sources
- › adverse media searches

As noted above, section 2.4 of the handbook requires a supervised person to check that its systems and controls (including policies and procedures) are operating effectively and test they are being complied with.

There were findings across three supervised persons for failing to adequately test the effectiveness of their screening tools. One supervised person was unable to articulate how the screening tool had been calibrated to its business and when the tool was tested during the examination, some material limitations with its effectiveness were identified.

One supervised person could not demonstrate how decisions to discount search results were made or recorded.

Where a screening tool is not subject to regular testing, it creates a risk that deficiencies will not be identified and addressed in a timely manner. This creates a heightened risk that, in the context of this thematic, screening undertaking in relation to PEPs may be ineffective.

4.5 Staff training

At one supervised person, we identified errors in PEP relevant training materials. References to internal guidance were incorrect, directed employees to incorrect documents and references were made to superseded legislation.

Inadequate training materials may expose the supervised person to an increased risk of facilitating money laundering, the financing of terrorism, or the financing of proliferation because its staff may be unaware of the impact of failing to follow adequate and effective policies and procedures put in place to mitigate PEP risk.

5 Next steps

All supervised persons examined received direct feedback from us. Where there were findings, the supervised persons were required to submit a formal remediation plan setting out actions to be taken and timescales for completion.

Where serious breaches are identified, we consider the appropriate level of response on a case-by-case basis. In some cases, this may result in a referral to our Heightened Risk Response team and in other cases, formal enforcement action may follow.

When conducting remediation activity, it is expected that issues are not reviewed in isolation, but consideration is given to the wider implications of the findings. Our supervisors work closely with supervised persons to ensure that the steps taken to address findings are appropriate to the scale of risks identified.

Read our [guidance on how supervised persons should approach remediation action plans](#).

A key component of regulatory effectiveness is to ensure that where a supervised person has completed remediation activity, it has done so in a way that is not only effective but also sustainable and can demonstrate compliance with the statutory and regulatory requirements on an ongoing basis.

We may, in certain cases, mandate remediation effectiveness testing following confirmation of completion from supervised persons.

In future engagements with us, supervised persons may be asked to evidence steps taken to address identified deficiencies in their control environment.

Where this action is not considered to be adequate, or where we identify similar deficiencies to those highlighted in our feedback papers, we will consider our future supervisory strategy and, where appropriate, regulatory action.

In future planning, we will consider repeating this thematic examination, to test whether supervised persons have taken on-board the guidance set out in this feedback and whether the compliance rates have improved.