

Industry Presentations – 23 November 2012

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CHANGE

Much of this conference is to do with change.

As part of this change, Guernsey – and the other Crown Dependencies – have recently joined MONEYVAL. This body is the part of the Council of Europe which has responsibility for anti-money laundering and the combatting of terrorist financing. MONEYVAL is a FATF style regional body. The Financial Action Task Force, the FATF, sets AML/CFT standards. In addition, it undertakes AML/CFT evaluations of its membership and follows up how jurisdictions are responding to recommendations made in the evaluation reports. This follow up process involves the submission of reports by evaluated jurisdictions and discussion of them at a plenary. In addition to the FATF, there are several FATF style regional bodies, which also conduct evaluations and follow up progress by jurisdictions in meeting the recommendations in evaluation reports.

To date, Guernsey's evaluations have been undertaken by the IMF. However, there was no plenary process in which we reported progress in dealing with the IMF's recommendations. The Crown Dependencies were part of a relatively small group of jurisdictions in this position. It is not satisfactory for international scrutiny of Guernsey's AML/CFT framework to take place only when we are evaluated. This was the reason Guernsey has joined MONEYVAL. It is the FATF style regional body for Europe, it was the obvious body for us to join and we now come within its follow up processes.

As a result, towards the end of next year I expect the authorities in Guernsey to participate in follow up discussions at a plenary of MONEYVAL. I also believe that our next AML/CFT evaluation will be undertaken by MONEYVAL. It would not be regarded as logical to join a body whose primary purpose is to conduct evaluations and follow up and for our evaluation to be undertaken by an unrelated third party. The IMF will continue to evaluate the quality of our banking, insurance and investment supervision and Guernsey's approach to financial stability.

Staying with AML/CFT, we propose to make some revisions to the AML/CFT regulations and handbooks. Aspects of these revisions were flagged in a media release we issued a few weeks ago.

Our intention is to remove general insurance from the definition of financial services business in the Proceeds of Crime Law. General insurance has a much lower risk profile for money laundering or terrorist financing than other types of business undertaken by Guernsey's finance industry. Our focus must be on the more vulnerable sectors and this provides us with an opportunity to remove the provision of general insurance from the ambit of the AML/CFT regulations and rules.

The provisions on the risk profiling of customers are also to be modified. This will allow firms to be more sophisticated in their approach. This will be particularly beneficial for firms which are part of groups as they will more easily be able to match local AML/CFT systems with group systems.

The responses to our consultation earlier this year included some from the fund sector suggesting that Cayman should be added to the list of "Appendix C" jurisdictions in the handbooks. We considered Cayman's AML/CFT framework against the methodology which we use for the addition of new jurisdictions to Appendix C, and I can confirm that we intend to add Cayman to the list when the handbooks are revised.

Another important change will be to revise the "likely to benefit" rules.

We cannot ignore the very significant attention being paid internationally in relation to anti-bribery and corruption. It is for this reason that we are intending to add a chapter on anti-bribery and corruption to the handbooks. This chapter will contain guidance only at this stage. However, I do want to flag I envisage that, at some stage in the future, some rules will apply to these types of financial crime.

There is one area of change outside AML/CFT I would like to touch on. The Commission has spent significant time this year in considering what I described at this event last year as a consolidation law. Our work has made it clear that we are considering not only the consolidation of most of the supervisory legislation but also its revision.

The next steps are to discuss proposals for the law with the Commerce and Employment Board in December and with representatives of industry in January. Our intention is to issue a consultation document at the end of the first quarter of 2013 with a twelve week period for consultation. The timing after that will depend on the responses to the consultation but I would be disappointed if the consolidation and revision law were not to be finished in 2014. There is another crucial part of our consolidation work. The Commission has issued principles, rules, codes, guidance and other papers under the laws we currently administer. Our intention is to simplify and consolidate this diversity of approach as much as possible into rules and guidance. I expect the consultation for most of this to take place next year. We are very aware of the need to give careful thought to the timing of the introduction of the consolidation/revision law and the underlying rules and guidance so as to allow firms to meet the revised requirements.