



Update from JMLSG

**Review of Guidance?
Part III: where are we now?
Where to, from here?**

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- Outline of issues
 - Position of JMLSG Guidance
 - Composition of Guidance
 - Why Part III?
 - 2011 review
 - Where are we now, and where do we go from here?



- Overview of UK AML framework
 - Legislative
 - Money Laundering Regulations 2007
 - Proceeds of Crime Act 2002
 - Terrorism Act 2000
 - Counter-Terrorism Act 2008 (Sch 7)
 - Financial sanctions Orders – and Asset Freezing Act 2010
 - Regulatory
 - FSA Rules - SYSC
 - Industry Guidance (approved by Treasury Minister)
 - Joint Money Laundering Steering Group



- JMLSG Guidance – past and present
 - Guidance Notes published since early 90s
 - Major revision 2006 – Risk-based approach
 - Updated for Money Laundering Regulations 2007
 - JMLSG review (not a revision) in 2009
 - Part III introduced in 2010
 - Further review in 2011
 - and beyond.....?



- Structure of Guidance
 - Part I
 - General ‘requirements’ – responsibilities, controls and records
 - Customer identification
 - Ongoing monitoring
 - Reporting suspicions
 - Part II
 - Specialist guidance for particular industry sectors
 - Part III – introduced in 2010



- Orphan-type issues?
 - Equivalence – isolated on website
 - Wire transfers – ‘process’, not a sector
 - CTA Sch 7 – ‘just’ a compliance issue
 - Sanctions screening
 - demand from firms
 - what should be done?
 - Proliferation financing: a coming issue



- So – we needed a Part III
 - Comprises
 - Wire transfers (from Part II)
 - Equivalence (from website)
 - CTA Sch 7 (from Part I)
 - Sanctions screening (new)
 - Proliferation financing (new)



- Part III
 - Sanctions
 - Some existing text in Part I
 - Absence of *substantive* guidance
 - FSA thematic review of compliance with UK financial sanctions regime
 - Number of enforcement actions – OFAC and FSA
 - Escalation to Board level of sanctions profile in financial firms



- Part III
 - Sanctions
 - General introduction and purpose: focus on systems and controls
 - What is the financial sanctions regime, penalties for non compliance, other forms of sanctions
 - Approach, management responsibilities, risk assessment, procedures and training
 - Screening, customers, names and transactions, false positives, audit trails and record keeping
 - Reporting matches and breaches



- Part III
 - Proliferation/WMD
 - Guidance text is tentative and preliminary
 - Draws on FATF material
 - What is PF, and what are the risks?
 - Absence of formal legal obligations
 - Scope of realistic expectations
 - Distinction between export and financial controls
 - Interaction with trade finance



- Part III
 - Proliferation/WMD
 - Focus on risk assessment?
 - Country/geography
 - Customer
 - Product/service
 - Enhanced due diligence
 - Monitoring – how? Reporting?
 - Special approach to trade finance



- Where now?
 - Next steps with the Guidance
 - Review of Parts I and II in 2011
 - Final tweaks to sanctions guidance
 - Impact of HMT review of ML Regulations?
 - Substantive changes – or just ‘tidying up’?
 - Proposals to amend Regulations
 - Will lead to more changes to Guidance in due course?



- Where now?
 - Impact of FATF developments
 - Proliferation financing?
 - Proposals to amend Recommendations/standards
 - Other proposals (Year Two)
 - Timing? Agreed by October 2011?
 - Will lead to more changes to Guidance in due course?



- Where now?
 - FATF Proposals to amend Recommendations/standards
 - Risk-based approach
 - » Pull together in one place?
 - CDD – beneficial owners
 - » some examples of high/low risk
 - PEPs
 - » Domestic PEPs?
 - » Automatically high risk?
 - Reliance
 - » How to get used more?
 - » Reliance across a group?
 - » Still focus on relying firm having responsibility



- Where now?
 - Further FATF proposals ('Year Two issues')
 - Structure of the Standards?
 - At least merge 40 + 9
 - Implementation of standards (not just legal framework)
 - Fuller ME reports?
 - Impact on equivalence?
 - Information of beneficial owners
 - Central registry?
 - Trusts?
 - Cross border information sharing
 - Data protection/privacy issues?



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- Guidance available at www.jmlsg.org.uk