



Isle of Man
Financial Intelligence Unit
Ellan Vannin Unnid Tushtag Argidoil



OF
STRATEGIC
OBJECTIVES
AND
ANNUAL PLAN
2022/2023



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Isle of Man

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DIRECTOR'S COMMENTS



The FIU strategic annual plan is an important component of FIU business, it identifies areas where focussed development assists not only the FIU but the IOM AML/CFT regime.

The FIU has matured as an authority and is now into its sixth year of operation. The FIU continues to progress and grow its capabilities in playing an important role in the Isle of Man's AML/CFT architecture. The FIU has responded to changes of global threats and advanced its ability to keep pace with new technologies.

In the last two years the FIU has:

- Significantly improved, documented and trained its financial intelligence product.
- Improved its interoperability with Constabulary operational teams providing a presence at the police headquarters and successfully contributing to impressive results in combatting serious and organised crime within the Isle of Man.
- Introduced a knowledge area within the FIU to improve the understanding of Isle of Man threats and vulnerabilities in respect of financial crime, improving the FIU's prevent, detect and reduce financial crime functions.
- Improved FIU ability to mitigate the emerging threats of crypto-enabled crime and convertible and non-convertible virtual currencies.
- Developed outreach to MLRO's to improve the quality and security of reporting across all sectors.
- Led on the development of an Isle of Man Financial Crime Partnership (PPP)
- Developed a joint tasking and coordination framework in conjunction with key partners.
- Supported the development of a sustainable and bribery and corruption framework within the Isle of Man developing the FIU as the recognised anti bribery and corruption law enforcement authority. Become associate members of the IACCC.

Continued Overleaf...

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DIRECTOR'S COMMENTS



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The FIU is performing well, and this year's annual strategic plan will continue to steer the FIU, to delivering the modern demands on its business.

It is anticipated that the Isle of Man will be subject to its next Moneyval mutual evaluation against the FATF money laundering and terrorist financing standards in 2026 or 2027, although this is not confirmed. In September 2021, a notional mid-point since the last evaluation of the Isle of Man AML/CFT level of effectiveness, authorities reviewed their progress against the effectiveness standards and specifically IO's 6, 7 and 8. The authorities concluded that if the Isle of Man were to be evaluated today, we would not be able to evidence substantial levels of effectiveness in any of these IO's; this likely failure to attain higher standards has the potential to damage the Island's standing as an international finance centre and a safe place to do business in.

The effectiveness bar will be higher in the next round of evaluations. The FATF are utilising its "grey listing" powers on international finance centres and if the Isle of Man does not improve effectiveness significantly in the next 2 – 5 years, the threat of "grey listing" would be high.

Remedial plans have been initiated to mitigate this threat. The Isle of Man requires to review how its key AML/CFT functions interact and ensure that the activities of all the authorities are strategically aligned.

The FIU remains a key and intrinsic part of this. It is anticipated that to effectively meet demand going forward those additional resources will be required by the FIU as it continues to develop and deliver effectiveness.

Phil Hunkin



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STRATEGIC OBJECTIVES AND ANNUAL PLAN 2022/2023



The FIU's strategic objectives for the following financial year, as identified by the FIU Board, are:

1. Consolidate digital transformation for the FIU adoption of digital tools and methods, keeping up with the pace of change in digital technologies. With a view to changing organisational culture and relationships to users, as well as business processes. Enhance a FIU risk-based approach to operations.
2. Focus on new and emerging threats through the development of FIU knowledge; understand the risks to the Isle of Man from money laundering, the financing of terrorism and proliferation financing. Raise awareness through outreach to the financial sector and government agencies.
3. Support the Isle of Man's pro-active international money laundering investigation function, enhancing Isle of Man law enforcement agencies' capability and capacity with the objective of achieving substantial levels of effectiveness when measured against the FATF standards, Immediate Outcomes 6, 7 and 8.
4. Review and develop the role of the FIU in the IOM's approach to asset recovery, by:
 - i) reviewing the FIU's current role and interaction with other relevant law enforcement agencies (LEAs), both domestic and international; and
 - ii) identify ways to expand and improve the FIU's role, with reference to updated international standards and best practice (including the Egmont white paper 'Asset Recovery – Role of FIUs').

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KEY SUPPORTING INITIATIVES FOR 2022/23

In order to meet its strategic objectives, the FIU has identified four key supporting initiatives ...



KEY SUPPORTING INITIATIVES FOR 2022/23

DIGITAL TRANSFORMATION



Consolidate digital transformation for the FIU adoption of digital tools and methods, keeping up with the pace of change in digital technologies. With a view to changing organisational culture and relationships to users, as well as business processes. Enhance a FIU risk-based approach to operations.

Increase efficiency - Efficiency in collecting large volumes of unstructured data from reporting entities. Automation and other digital initiatives allow pooling and sorting of large volumes of data and information from disparate sources and differently structured databases for subsequent analysis. The objective is to process more data quickly.

Optimise resource deployment - Allow for better assignment of finite human resources. Digital tools save analysts time in mundane tasks such as data verification and sorting of large volumes of data and allow them to focus on more sophisticated analytical tasks. The objective is to maximise the value of analysts' tasks.

Enhance quality - Need to explore prioritisation of SARs of higher investigative value for detailed and targeted analysis. Consider unsupervised text mining techniques such as natural language processing or supervised machine learning such as data labelling allow training computer systems to learn from the data received in SARs and various reports, to identify patterns, and to draw inferences based on the rules set by FIUs. The objective is to achieve analysis of higher quality.

Adopt a risk-based approach to AML - Lay down the essential precondition for the implementation of a dynamic risk-based approach in FIU workflows. Machine learning and other AI-based tools can partially automate the process of risk analysis drawing from large volumes of unstructured data. The objective is to identify emerging risks which do not correspond to already known profiles, and to verify and adjust findings prepared based on traditional risk analysis.

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KEY SUPPORTING INITIATIVES FOR 2022/23

GLOBAL EMERGING THREATS



Focus on new and emerging threats through the development of FIU knowledge; understand the risks to the Isle of Man from money laundering, the financing of terrorism and proliferation financing. Raise awareness through outreach to the financial sector and government agencies.

Conduct domestic risk assessments on the following global emerging areas:

- ⇒ Proliferation financing
- ⇒ Modern slavery and human trafficking
- ⇒ Wildlife trade
- ⇒ New and ongoing global threats

Utilise the findings of these risk assessments to provide outreach to industry and government agencies via platforms such as face-to-face, video content and written publications.

Ensure that the FIU staff are appropriately trained to have a good level of knowledge and understanding in the above topic areas.

Utilise the Specialism Reports in these areas for the training of both FIU staff and the industry.

Work in conjunction with the PPP function once formed for well-rounded assessments of the risks identified, obtaining information from industry and other stakeholders with expertise.

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KEY SUPPORTING INITIATIVES FOR 2022/23

SUPPORT PRO-ACTIVE INVESTIGATIONS



Support the Isle of Man's pro-active international money laundering investigation function, enhancing Isle of Man law enforcement agencies' capability and capacity with the objective of achieving substantial levels of effectiveness when measured against the FATF standards, Immediate Outcomes 6, 7 and 8.

Develop a proactive ML strategy to support the overarching Financial Crime Strategy.

Jointly consider both FIU and new AML staff embedded within each of the respective organisations. Undertake high level review of working arrangements including consideration of co-locating the FIU and new AML function. A suitably trained/ qualified civilian SIO to lead the proactive international money laundering team.

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KEY SUPPORTING INITIATIVES FOR 2022/23

ROLE OF THE FIU IN ASSET RECOVERY



Review and develop the role of the FIU in the IOM's approach to asset recovery, by:

- i) reviewing the FIU's current role and interaction with other relevant law enforcement agencies (LEAs), both domestic and international; and**
- ii) identify ways to expand and improve the FIU's role, with reference to updated international standards and best practice (including the Egmont white paper 'Asset Recovery – Role of FIUs').**

To develop FIU Officers' understanding of asset recovery, in particular in relation to identifying cases (both domestic and international) with potential for confiscation or civil recovery/non-conviction based confiscation.

To continue to develop cooperation between the FIU, Customs and IOM Constabulary in relation to domestic drug trafficking investigations and related cash seizures.

To develop cooperation with the Companies Registry to identify UBO 'red flags' in information submitted to the Register of Beneficial Ownership.

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KEY AIMS FOR 2022/2023

In focussing on its Strategic Objectives and Key Supporting Initiatives the FIU will commit to the following four key aims ...



KEY AIMS FOR 2022/23

DIGITAL TRANSFORMATION



Consolidate digital transformation for the FIU adoption of digital tools and methods, keeping up with the pace of change in digital technologies. With a view to changing organisational culture and relationships to users, as well as business processes. Enhance a FIU risk-based approach to operations.

Increased data utility from new and more data sources. Digital initiatives allow FIU analysts to have a wider, up-to-date, real-time, and more direct and convenient access to data stored in multiple internal databases, and potentially other external databases belonging to other AML/CFT competent authorities or reporting entities, as well as open-source information. This gives opportunities for analysts to prepare more relevant and comprehensive analysis.

Increased data handling capacities. Digital initiatives provide opportunities for FIU analysts to handle large volumes of unstructured data of different formats from disparate sources within a timeframe which manual process would not allow. This has the potential to allow analysts to draw inferences in the connection of suspicious transactions and linked networks through analysing a larger amount of relevant information.

Strengthened analytical capabilities. To deal with increasing volumes of SARs, and other reports through prioritisation of limited human resources on more advanced level of analysis and feedback, and in turn:

- ⇒ increasing efficiency, accuracy, and quality of operational analysis and case work through the use of the current digitalised SAR collection system, followed by advanced digital analytics.
- ⇒ enabling FIUs to mine data so as to identify wide-scale or dispersed patterns of activity that may indicate structuring or ML, which may not be visible on the basis of single or a few individual SARs.
- ⇒ improving the quality of strategic analysis by using the full breadth of data available in the most thorough and efficient way supported by advanced analytics.

Better understanding and management of ML/TF risks. Consider and assess suitability of machine learning and other AI-based tools to allow for the processing of larger volumes of data, and to partially automate the process of risk analysis. They may enable the FIU to identify emerging risks which do not correspond to already known profiles, and to verify and adjust findings prepared based on traditional risk analysis.

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KEY AIMS FOR 2022/23

GLOBAL EMERGING THREATS



Focus on new and emerging threats through the development of FIU knowledge; understand the risks to the Isle of Man from money laundering, the financing of terrorism and proliferation financing. Raise awareness through outreach to the financial sector and government agencies.

Considering current geo-political events, further develop understanding and strategic products in relation to, but not restricted to, the risks to the Isle of Man of sanctions, AML / TF, PF and the relevant predicate offences.

To develop the FIU staff knowledge and understanding of Proliferation Financing (PF). Identify sources to provide awareness and training. Work with other agencies to upskill the Isle of Man's overall comprehension and ability to mitigate the risk.

To develop the FIU staff knowledge and understanding of Modern Slavery and Human Trafficking (MSHT). Identify sources to provide awareness and training. Work with other agencies to upskill Isle of Man comprehension and ability to mitigate the risk.

To develop the FIU staff knowledge and understanding of money laundering and the wildlife trade. Identify sources to provide awareness and training. Work with other agencies to upskill Isle of Man comprehension and ability to mitigate the risk.

Use the Annual Specialism Reports prepared by the Financial Intelligence Officers (FIOs) to aid in better understanding known and emerging threats. Utilise these reports for outreach to our stakeholders.

Work in conjunction with the PPP function once formed for well-rounded assessments of the risks identified.

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KEY AIMS FOR 2022/23

SUPPORT PRO-ACTIVE INVESTIGATIONS



Support the Isle of Man's pro-active international money laundering investigation function, enhancing Isle of Man law enforcement agencies' capability and capacity with the objective of achieving substantial levels of effectiveness when measured against the FATF standards, Immediate Outcomes 6, 7 and 8.

Actively participate in the ongoing DHA project and appropriately influence and support the creation of a ring-fenced ML investigation team, including the development of additional specialist ML investigators within that team.

To support the promotion and development of a strategically aligned proactive money laundering investigation, prosecution and confiscation capability through a single line management structure, incorporating the FIU, ECU and ICART as well as FSA and other authorities as appropriate.

To review intelligence packages related to international money laundering referred for investigation through the period 2018 - 2021, considering rationales provided for non-adoption. To consider possible additional development of intelligence and subsequent re-submission for investigation.

Review and implement the joint tasking and coordination process around the new structure.

Support the "ring-fenced" ML investigation resources to ensure delivery of substantial levels of effectiveness across IO's 6, 7 and 8. Identify and support the development of areas of expertise that will be incorporated within all involved agencies thereby delivering effectiveness when measured against FATF standards.

Implement a programme of training and development across agencies to incorporate a culture of continuous professional development.

Engage with and fully participate in an external review of the Island's compliance with FATF's IO's 6, 7 and 8. Work jointly towards the successful implementation of any subsequent action plan in a timely manner.

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KEY AIMS FOR 2022/23

ROLE OF THE FIU IN ASSET RECOVERY



Review and develop the role of the FIU in the IOM's approach to asset recovery, by:

- i) reviewing the FIU's current role and interaction with other relevant law enforcement agencies (LEAs), both domestic and international; and**
- ii) identify ways to expand and improve the FIU's role, with reference to updated international standards and best practice (including the Egmont white paper 'Asset Recovery – Role of FIUs').**

Review IOM money laundering layering/asset concealing risks, identified in the National Risk Assessments and MONEYVAL Mutual Evaluation Report and assess ongoing impact on asset recovery.

Review the FIU's current role in IOM asset recovery (domestic and international).

Review current international standards and best practice in asset recovery.

Identify and implement enhanced FIU asset recovery objectives to ensure that the FIU is fully contributing to and supporting the IOM's effectiveness when measured against the FATF standards for Immediate Outcome 8 (Confiscation).

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FINANCIAL RESOURCES



The FIU continues to develop to meet to meet domestic and international demands. The establishment of the IOMFCP if done correctly has significant potential in assisting the Isle of Man authorities identify potential money laundering offences, developing knowledge around the threats and risk to the Isle of Man from money laundering, terrorist financing and proliferation financing.

The FIU has embraced digital technologies and now has access to a wide range of financial intelligence. The analytical capabilities have developed significantly, and the use of analytical software allows the FIU to analyse large amounts of data efficiently and effectively.

The FIU through its outreach supports the financial sector with their ability to identify suspected criminal activity and money laundering. The FIU has facilitated that establishment of an industry group of MLRO's to assist with the development of professionalism within the sector. The IOM's benefit will be higher quality reports, a better understanding of what is required and improved collaboration between public and private sectors.

The FIU has kept pace with fintech developments and can identify and track the movement of crypto assets. This has been achieved through the investment in training and technology.

It is critical that the product generated by the FIU is used effectively for the investigation and prosecution of money laundering.

The FIU is committed to further development its products and will play an important central role in the IOM achieving the anticipated levels of effectiveness when we are evaluated against the FATF standards in 2026/27.

The FIU will require future commitment to additional staffing, staff development and technology to continue its progress.

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