

Project to Create Database of Registered Firms Including Transactional Analysis for Regulatory Designation and Risk-Rating Purposes

Presentation to Industry – 9 July 2019



2nd Floor, Boyle Building
31 Queen Street, Hamilton
Bermuda, HM11
T: 441-296-5577
E: info@amlatfboard.bm
WWW.AMLATFBOARD.BM

Why?

- 70 registered firms – large amount of information to process, retrieve and analyze; Board small staff
- Modern world is data driven – viz online banking; other regulatory authorities
- Previous data for paper-based files was inconsistent and unreliable (comparison to firm's websites and press releases and comparison to competitors)
- Previous apparently anecdotal collection of data inconsistent with reported financial status of firms
 - data tied to time entry systems more accurate

Why?

- Consistent standardized data enables accurate determination of regulatory status and risk rating
- Enable sectoral trend-spotting – National Risk analysis
- National Statistics per FATF Recommendation 33 - <https://www.fatf-gafi.org/media/fatf/documents/reports/AML-CFT-related-data-and-statistics.pdf>
- Transactions risky for lawyers: <http://www.fatf-gafi.org/media/fatf/documents/reports/ML%20and%20TF%20vulnerabilities%20legal%20professionals.pdf>

Applicability – All Law and Accounting Firms must Register with the Board

- **All Law Firms**, whether sole practitioners, partnerships or professional Companies
- Offering Legal Services to Third Parties
- In Private Practice – in the capacity as lawyer and for a fee (not as salaried employee of a non-law firm)
- **All Accounting Firms**, whether sole practitioners, partnerships or professional Companies
- Owners are members of CPA Bermuda
- Offering Professional Accounting Services to Third Parties
- In Private Practice – in the capacity as an Accountant and for a fee (not as salaried employee of a non-accounting firm)

Responsibility – Practice Management Issue

- Invitee List – Managing Partners, Financial Officers, Technology officer
- Rule 5 of Bermuda Bar (Barristers and Accountants AML/ATF Board) Rules 2018
- By-Law 41A (f) & (g) of CPA By-Laws
- Bar Council
- CPA Bermuda
- Guidance Notes – refers to involvement of Senior Management throughout
- Observance of Guidance Notes mandatory -
 - Rule 9 of Bermuda Bar (Barristers and Accountants AML/ATF Board) Rules 2018
 - CPA By-law 41A(o)
 - Section 49M of Proceeds of Crime Act 1997

Management Implications

- Senior Management in Attendance – major implications for practice management; financial systems and IT systems
- Financial officers in attendance – collection of transactional data consistent with financial statements prepared for owners of the business
- IT Officers in Attendance – mapping and data supply implications
- Better handle on the type of work a firm is doing, for pricing, marketing, recruitment and risk management purposes.

Supervisory Aims & Benefits

- Reliable information – same as owners of business use
- Data which can be compared on a sectoral and national basis (FATF Rec 33)
- Tool for risk-rating
- Better use of staff time and resources
- Paper files obsolete

Database & Client Transaction Analysis System

- Each Firm logs into Board system with unique user identification
- Each firm enters registration and transactional data: section 30C of SEA
- Transaction Information for Registration and Assessment to determine whether to be:
 - Regulated Professional Firm (RPF) or
 - Non-regulated Registered Firm
- Transactional Information for Assessment of Risk Rating
 - POCA 1997 Section 49 (4)(a)(ii) - “...acting for or on behalf of a client in the *transaction*”
- System manages and collates responses to occasional data calls
- System to manage POCA documentation collection

Database to capture Ownership, Business and Transactional Information – **User perspective**

- Each firm to Register with Board Database Online
- Identified staff member will be the “registered admin” with access to the firm’s filings & ability to create additional firm users on system (1 admin/firm)
- Firm user will be able to access and submit filings

Database to capture Ownership, Business and Transactional Information – **User perspective**

- Firms Submit information on owners, directors and senior executives
- Firms Submit information on nature of firm's business: practice areas; client base; local/international; basic financial information for scale & proportion purposes
- Firms Identify client transactions participated in during last 6 months – “specified activities”

Database to capture Ownership, Business and Transactional Information – **Board perspective**

- Board analyses firm's submission to determine whether to designate as a regulated Professional Firm ("RPF") or not
- Based on participation by firm in transactions by clients involving "specified activities" – preparing for or executing such transactions
- For RPFs, database information used by Board to assign a risk rating and devise a supervisory program specific to that RPF

Database to capture Ownership, Business and Transactional Information – **Board perspective**

- Records maintained of all aspects of supervision
 - firm's own documentation
 - Board actions such as
 - reviews
 - onsite visits
 - sanctions
 - disciplinary action – proportionality assisted by database's composite picture of firm in Bermuda context
- Database manages and collates occasional surveys of firms e.g. relationships with Corporate service Providers

Fireminds Demonstration

- Availability of Assistance with Integration
- Mapping to Board Database
- Standard APIs available

Where & When

- System being developed in Bermuda based on existing regulatory systems
- Development Period 2019 – 2020; with option of online registration
- First mandatory online registrations/renewals January 2021

Consultation

- Extended consultation, taking into account firm sizes, resources and system adaptability
- Assistance with mapping between systems

Working Group

- Bar Council & CPA Bermuda to Lead
- Wide spread of firms to participate

Working Group Brief - Inputting Transactions

- New file opened for each distinct client transaction
- Develop standard lexicon of file matter types/client transaction descriptions
- File opening recorded in time entry/financial system to be tagged with standard name describing the work to be done
- Mapping to Time Entry at Firm level
- Annual aggregate data on file types opened/worked on
- Board concept “customs tariff” already developed

Any Questions?