



The ID Register

Outsourcing and New Technology in Guernsey – AML Handbook Requirements

May 2019



GUERNSEY FINANCIAL SERVICES COMMISSION AML HANDBOOK REQUIREMENTS (MARCH 2019)

The GFSC revised AML Handbook requires regulated firms to conduct a risk assessment prior to outsourcing functions related to the firms Know Your Client (“KYC”) compliance obligations.

Fund managers and fund administrators in Guernsey will primarily be licensed under the Protection of Investors Law, 1987, and as such the AML Handbook also advises such licensees to take into consideration the GFSC’s guidance notes on outsourcing.

<https://www.gfsc.gg/sites/default/files/20190613%20-%20Handbook.pdf>

https://www.gfsc.gg/sites/default/files/Outsourcing-Functions-by-Entities-Licensed-Under-the-POI-Law_0.pdf

RISK ASSESSMENT

A. Outsourcing Risk Assessment – Mandatory Requirements	
<p>The firm must make an assessment of the risk of any potential exposure to ML and FT.</p> <p>The firm must maintain a record of that assessment as part of its business risk assessments.</p>	<p>The ID Register actively assists firms in mitigating the risks posed by ML and FT by providing:</p> <ul style="list-style-type: none"> ▪ A well established KYC program ▪ Secure digital certification of documents ▪ An intuitive system overseen by a team of dedicated professionals ▪ Transparent access to the KYC methodology and resulting investor profiles ▪ 24/7 access to client and investor due diligence profiles <p>The ID Register removes the typical guesswork associated with using an outsourced service provider - clients can check their investors’ KYC profiles in real time and gain immediate assurance that KYC compliance obligations have been met.</p>
<p>The firm must identify and assess risk associated with adopting a new technology in its business risk assessment.</p>	<p>The ID Register website has a comprehensive due diligence section to assist clients in performing this business risk assessment.</p> <p>https://www.theidregister.com/resources/due-diligence/</p>

B. Outsourcing – GFSC Recommendations

<p>Review the Commission's guidance notes on outsourcing.</p>	<p>The outsourcing guidance notes are located here: https://www.gfsc.gg/sites/default/files/Outsourcing-Functions-by-Entities-Licensed-Under-the-POI-Law_0.pdf Further guidance on the recommendations in these guidance notes are contained in section C below.</p>
<p>Consider implementing a terms of reference or agreement describing the provisions of the arrangement.</p>	<p>The ID Register provides a Service Level Agreement, Terms of Business and Privacy Policy.</p> <p>https://www.theidregister.com/media/1017/terms-of-business.pdf</p>
<p>Ensure that the roles, responsibilities and respective duties of the firm and the outsourced service provider are clearly defined and documented.</p>	<p>https://www.theidregister.com/media/1015/privacy-statement.pdf</p> <p>https://www.theidregister.com/media/1217/the-id-register-services-summary.pdf</p>
<p>Ensure that the board, the MLRO, the MLCO, other third parties and all employees understand the roles, responsibilities and respective duties of each party.</p>	<p>The ID Register provides full due diligence documents on its website.</p> <p>https://www.theidregister.com/resources/due-diligence/</p> <p>https://www.theidregister.com/media/1267/due-diligence-pack.pdf</p> <p>Each client will be provided with a clear approach to onboarding and a single point of contact for ongoing training.</p>
<p>Ensure that it has appropriate oversight of the work undertaken by the outsourced service provider.</p>	<p>The ID Register understands the need for our clients to maintain oversight and perform periodic sample checking. To assist our clients in carrying out auditable governance activities, The ID Register provides:</p> <ul style="list-style-type: none"> ▪ A quarterly CRM meeting with each client to review service performance and KPIs ▪ A live dashboard with an overview of investor completion status in relation to KYC and FATCA / CRS <p>Targeted sample checking and demonstrable oversight has never been easier.</p>

C. Outsourcing Guidance Notes – GFSC Recommendations for POI Licensees

<p>The Board of Directors and Senior Management of the Licensee should keep the arrangements under regular review.</p>	<p>The ID Register offers quarterly service review meetings with each client to assist our clients with a regular review of the service and dashboard reporting.</p>
<p>Principle 1 - A licensee should conduct suitable due diligence processes in selecting an appropriate third party service provider and in monitoring its ongoing performance. Appropriate means may include: service delivery reports, written service level agreements and assessment of performance. The Guernsey Licensee must retain the competence and ability to be able to ensure that the delegate complies with the relevant regulatory requirements, and any changes in the requirements.</p>	<p>The ID Register website has a dedicated due diligence section with many useful weblinks covering IT, People & Process and Legals & Privacy. https://www.theidregister.com/resources/due-diligence/ The ID Register provides live dashboard reports available for download to aid clients in the performance of ongoing monitoring of the service.</p>
<p>Where functions are outsourced, the mind and management of the operation rests within the Bailiwick.</p>	<p>The ID Register is headquartered in Guernsey and all contracts are signed with The ID Register (Guernsey) Limited. The mind and management of The ID Register is therefore located within the Bailiwick of Guernsey. The ID Register client firm also retains an MLRO who interacts with the team and avails of internal training. By utilising The ID Register, our client firm MLRO can focus on key activities such as higher risk investors and transaction monitoring.</p>
<p>Principle 2 – There should be a legally binding written contract between the licensee and each third party service provider, the nature and detail of which should be appropriate to the materiality of the outsourced activity to the ongoing business of the licensee.</p>	<p>The ID Register provides a written contract to each prospective client with sufficient detail covering roles & responsibilities and payment arrangements. Incorporated by reference into this agreement are the below Terms of Business and Privacy Statement substantially covering the suggestions in the outsourcing guidance. https://www.theidregister.com/media/1017/terms-of-business.pdf https://www.theidregister.com/media/1015/privacy-statement.pdf https://www.theidregister.com/media/1267/due-diligence-pack.pdf</p>

<p>Principle 3 – The licensee should take appropriate measures to determine that:</p> <p>(a) Procedures are in place to protect the licensee’s proprietary and client related information and software; and</p> <p>(b) Its service providers establish and maintain emergency procedures and a plan for disaster recovery, with periodic testing of backup facilities.</p>	<p>(a) The ID Register takes information security seriously and implements technical and organisational measures to protect our clients’ data:</p> <p>https://www.theidregister.com/media/1225/security.pdf</p> <p>https://www.theidregister.com/media/1231/id-register-written-information-security-program.pdf</p> <p>https://www.theidregister.com/media/1229/id-register-incident-response-plan.pdf</p> <p>In addition to this, The ID Register is penetration tested for IT vulnerabilities at least twice every year.</p> <p>(b) The ID Register’s disaster recovery plan is here:</p> <p>https://www.theidregister.com/media/1226/business_continuity_plan.pdf</p>
<p>Principle 4 - The licensee should take appropriate steps to require that service providers protect confidential information regarding the licensee’s proprietary and other information, as well as the licensee’s clients or investors from intentional or inadvertent disclosure to unauthorised individuals.</p>	<p>Each profile is controlled by its subject who retains controls over who is granted access to it.</p>
<p>Principle 5 – Outsourcing to third party service providers should include contractual provisions relating to termination of the contract and appropriate exit strategies.</p>	<p>The ID Register Terms of Business detail the rights and obligations in relation to termination of services.</p> <p>https://www.theidregister.com/media/1017/terms-of-business.pdf</p>
<p>Principle 6 – The GFSC, the licensee and its auditors should have access to the books and records or service providers relating to the outsourced activities and the Commission should be able to obtain promptly, upon request, information concerning activities that are relevant to its regulatory oversight.</p>	<p>The ID Register default approach is transparency. Clients are granted real time access to information held on The ID Register and are free to provide this information to auditors and regulators at their discretion.</p>

<p>Principle 7 – Licensees should be aware of the risks posed where one service provider provides outsourcing services to multiple licensees.</p>	<p>The ID Register may provide services to multiple licensees, this is the nature of outsourcing. However, concentration risks are managed by:</p> <ul style="list-style-type: none"> ▪ Limited exposure to the threat of physical disasters due to offices and staff in two countries ▪ A platform that is accessible 24/7 from anywhere in the world with a sophisticated staff task administration system inbuilt ▪ Backup servers for disaster recovery in accordance with Microsoft Azure’s disaster recovery procedures ▪ Quarterly assessment of staff resourcing capacity which is reviewed and approved by The ID Register management team ▪ Available to the GFSC at any time
<p>Liaison with Designated Trustees/Custodians in connection with Open-ended Collective Investment Schemes</p>	<p>N/A</p>

Questions?

Should you have any questions please contact:

help@theidregister.com

Or



Mark Quigley

T: +44 20 8132 5429

E: mark.quigley@theidregister.com

Heron House, Blackpool Retail Park,
Cork, Republic of Ireland T23 R50R



Kate Parker

T: +44 20 8132 7981

E: kate.parker@theidregister.com

5th Floor Market Building, Fountain Street,
St Peter Port, Guernsey GY1 1BX