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FINAL NOTICE

To: JLT Specialty Limited

Reference Number: 310428

Address: The St Botolph Building, 138 Houndsditch, London, EC3A
7AW

Date: 16 June 2022

1. ACTION

- 1.1. For the reasons given in this Final Notice, the Authority hereby imposes on JLT Specialty Limited ("JLTSL") a financial penalty of £7,881,700 pursuant to section 206 of the Act.
- 1.2. JLTSL agreed to resolve this matter and qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £11,259,500 on JLTSL.

2. SUMMARY OF REASONS

- 2.1. The Authority has decided to take action against JLTSL for breaches of Principle 3 (Management and Control) of the Authority's Principles for Businesses ("the Principles") that occurred between 21 November 2013 and 6 June 2017 ("the Relevant Period") in relation to failures to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems to counter the risk that it might be used to further financial crime.
- 2.2. JLTSL provided insurance broking, risk management and insurance claims services across a wide range of business sectors to national and international corporate clients.
- 2.3. On 19 December 2013, the Authority imposed a financial penalty of £1,876,000 on JLTSL for breaches of Principle 3 of the Principles. The Authority found that between 19 February 2009 and 9 May 2012, JLTSL failed to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems for countering the risks of bribery and corruption associated with making payments to overseas third parties ("Overseas Introducers") that helped JLTSL win and retain business from overseas clients.
- 2.4. Prior to and following the financial penalty, JLTSL and its senior management made significant efforts to improve its systems and controls framework, especially in relation to third parties such as Overseas Introducers, including with the advice and approval of a Skilled Person. Following a review by the Skilled Person, JLTSL implemented a three lines of defence control framework. A second review by the Skilled Person focused on enhancing JLTSL's third party controls framework and focused specifically on situations where JLTSL directly engaged with a third party (including Overseas Introducers).
- 2.5. Those controls required that, where JLTSL intended to engage with and make payments to an Overseas Introducer, JLTSL submitted the proposed engagement to JLT Group Financial Crime ("the Financial Crime Team") for due diligence, risk assessment and approval of that third party relationship. The Overseas Introducer was then considered for approval by the KYC Delegated Sub-Committee of JLTSL's Board ("KYC DSC"), taking into account the business case for the Overseas Introducer and the Financial Crime Team's risk assessment. JLTSL had in place various monitoring and oversight processes to ensure that the system operated

as designed and intended. The Skilled Person approved the revised controls and those controls were implemented on a group-wide basis.

- 2.6. The Authority has found that JLTSL again breached Principle 3 during the Relevant Period by failing to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems for countering the risks of bribery and corruption arising from other JLT Group entities' relationships with Overseas Introducers. On this occasion JLTSL's failure allowed another JLT Group entity to engage in bribery (see paragraph 2.22 below).
- 2.7. In some scenarios, JLTSL placed business in the London market where that business was won and retained by another JLT Group entity with the assistance of an Overseas Introducer engaged by that other entity. JLTSL failed to consider whether additional safeguards or approvals should be incorporated into JLTSL's third party processes with respect to Overseas Introducers engaged by another JLT Group entity where the introduced business was subsequently placed by JLTSL in the London market. In particular, despite the heightened bribery and corruption risk posed by Overseas Introducers to JLTSL, the processes did not require the approval of the KYC DSC in addition to the approval of the JLT Group entity that was proposing to engage the Overseas Introducer and the Financial Crime Team.
- 2.8. Consequently, JLTSL did not:
- (1) ensure that information, including potential red flags, held by JLTSL employees who were either involved in negotiating the relationship with the Overseas Introducer or placing the business in the London market was brought to the attention of the KYC DSC or the Financial Crime Team;
 - (2) ensure that the other JLT Group entity disclosed all material information about an Overseas Introducer to the Financial Crime Team for review, consideration, and action as necessary; and
 - (3) consider whether additional monitoring and oversight of Overseas Introducers, in accordance with JLTSL's processes, was appropriate.
- 2.9. As JLTSL's approval was not required, JLTSL was also not notified when another JLT Group entity's relationship with an Overseas Introducer was being considered for renewal. Consequently, JLTSL missed another opportunity to evaluate the

bribery and corruption risk posed to JLTSL and the continued appropriateness of the engagement.

- 2.10. During the Relevant Period, in instances where Overseas Introducers had introduced reinsurance business to other JLT Group entities and those entities had in turn instructed JLTSL to place that business on the London reinsurance market, JLTSL made 466 placements on the London reinsurance market for 40 different overseas insurers and 106 different insured clients, earning £8,515,292 in commission from these placements. In all these instances, JLTSL did not consider or approve the onboarding or renewal of the relationships with these Overseas Introducers. Instead, JLTSL relied wholly on the other JLT Group entities and the Financial Crime Team to approve and monitor these relationships and did not carry out any additional monitoring or oversight.
- 2.11. These control failings gave rise to an unacceptable risk that a share of the commission JLTSL made from placing this business, which it paid to the other JLT Group entities who then paid a portion of their share to the Overseas Introducers, could be used for corrupt purposes, including paying bribes to persons connected with the insured clients and/or public officials.
- 2.12. This risk of bribery and corruption materialised in JLTSL's dealings with one such Overseas Introducer. In 2013, JLTSL was appointed by a state-owned insurance company ("Company A"), based in a country where there is perceived to be a high level of bribery and corruption, to broker the reinsurance of aviation insurance policies for that country's defence ministry. However, following the appointment of new senior management, Company A informed JLTSL in November 2013 that it wanted to replace it, mid-term, as broker.
- 2.13. Soon after, another JLT Group entity, JLT Re Colombia, became involved. JLT Re Colombia introduced a company incorporated in Panama ("Company B"), also a country where there is perceived to be a high level of bribery and corruption, to JLTSL. Company B offered to help rebuild JLTSL's relationship with Company A.
- 2.14. Company B helped JLTSL to persuade Company A not to remove JLTSL as its appointed broker for the aviation insurance policies. In return, JLTSL agreed to share half of the commission it had earned from this placement (half of approximately £1.3 million). Company B threatened that unless JLTSL increased its offer not only would JLTSL be removed as broker, but JLT Group entities may be banned from doing business in the country of Company A. Notwithstanding

that it considered Company B had done little to warrant payment of this amount, JLTSL agreed in February 2014 to pay Company B US\$1.8 million (US\$500,000 more than JLTSL itself had earned in commission) and to pay Company B 8% commission for any future business, on the condition that JLTSL would broker the next two renewals of the same aviation risks.

- 2.15. Company B told JLTSL in March 2014 that it had been instructed by Company A to act as its agent and that JLTSL had to deal with both Company B and JLT Re Colombia in order to win or retain Company A's business. The following month, Company B requested an upfront payment of US\$500,000 as a sign of good faith.
- 2.16. JLT Re Colombia initiated the due diligence process in May 2014. JLT Re Colombia deliberately withheld from the Financial Crime Team that JLTSL had a pre-existing relationship with Company A, that Company B had been appointed as Company A's agent, that Company B had threatened to ban JLT Group entities from doing business in the country of Company A unless JLTSL paid it an amount which significantly exceeded what JLTSL had earned in commission, and that it sought an upfront payment of US\$500,000 as a goodwill gesture.
- 2.17. JLTSL employees that were involved in the negotiations and placing the business in the London market also failed to escalate these matters which would have materially affected the Financial Crime Team's assessment of Company B.
- 2.18. Separately, the Financial Crime Team failed to follow its own due diligence processes in relation to this Overseas Introducer. It failed to challenge the reasoning provided by JLT Re Colombia for using Company B to win Company A's business. It also failed to carry out certain checks on Company B. For example, it did not obtain a copy of Company B's certificate of incorporation (although it did obtain confirmation from the Panamanian company registry that the company had been incorporated) and did not verify its address, the identity of its directors and shareholders and its bank account details. Despite the gaps in the enhanced due diligence conducted by the Financial Crime Team in relation to Company B, JLT Group subsequently approved Company B as an Overseas Introducer.
- 2.19. Although the relationship with Company B ought to have been reviewed within 12 months, JLT Group did not initiate the review until September 2015 and did not complete it until May 2016. Again, the due diligence exercise (including enhanced due diligence) was commenced by JLT Re Colombia and performed by the

Financial Crime Team. Although the Financial Crime Team this time questioned whether Company B's share of commission was appropriate given it was not performing any substantial services (in addition to its initial advocacy on JLT Group's behalf), these concerns were not addressed and JLT Group re-approved Company B as an Overseas Introducer. JLTSL was not involved in this re-approval.

- 2.20. In 2014 and 2015, JLTSL employees were involved in significant hospitality expenditure provided to employees of Company A (who were government officials) and Company B, as well as members of their families. At the request of JLT Re Colombia, a significant proportion of this expenditure was reimbursed by JLTSL through increased commission to Company B. This should have raised concerns. Had JLTSL been asked to approve the renewal of Company B, information about this expenditure would have been relevant and should have been escalated to the KYC DSC. As JLTSL was not involved in the renewal, relevant JLTSL employees were not consulted and no such red flags were raised during the renewal process by JLT Re Colombia.
- 2.21. As a result of Company B's introduction, JLTSL made 87 placements on behalf of Company A during the Relevant Period, earning £4.80 million in commission from total gross premiums of £93.36 million. JLTSL paid a total of US\$12.39 million to JLT Re Colombia in commission from these placements. In turn, JLT Re Colombia paid US\$10.87 million to five bank accounts based in Panama, Switzerland, and the United States, owned by four different entities associated with Company B. Although the Financial Crime Team monitored payments to introducers from 2015 onwards, they did not begin to check the bank account details of each payment made by JLT Group entities to Overseas Introducers until 2017.
- 2.22. From the commission paid by JLT Re Colombia to Company B, Company B paid US\$3,157,000 in bribes to government officials at Company A to help retain and secure business from Company A for JLTSL and JLT Re Colombia. A number of individuals from JLT Re Colombia, Company A and Company B have been convicted in the United States of conspiracy to launder money in connection with this bribery scheme.
- 2.23. The Authority considers JLTSL's failings to be serious for the following reasons:

- (1) the breach revealed a serious gap in JLTSL's systems and controls and created a significant risk that financial crime, particularly bribery and corruption, would be facilitated or otherwise occur;
 - (2) JLTSL's dealings with Company A and Company B began within a few months of the Authority imposing the financial penalty referred to in paragraph 2.3 above and the conclusion of the Skilled Person's review. JLTSL staff ought in these circumstances to have been aware of the red flags presented by the involvement of Company B. Had the KYC DSC been required to approve the relationship with Company B, it is the Authority's view that Company B would not have been approved.
- 2.24. JLTSL was not aware of the bribery scheme until the individuals were prosecuted in the United States in 2018. However, upon discovering that JLT Re Colombia had made payments to unapproved bank accounts associated with Company B in 2017, JLTSL reported to the relevant authorities and introduced a number of additional controls to ensure that similar problems did not arise in future. This included the requirement that overseas JLT Group entities providing business to JLTSL confirm whether the business had been sourced via a third party introducer. If it had, JLTSL would require evidence that appropriate due diligence had taken place on the third party introducer, which would then be presented to the KYC DSC to make a final decision on whether the business was acceptable.
- 2.25. The Authority acknowledges the assistance JLTSL has provided during its investigation, including providing access to materials from JLT Group's internal investigation. The Authority also acknowledges JLT Group's disgorgement of \$29,081,951 to the US Department of Justice, which includes the financial benefit arising directly from JLTSL's breach of Principle 3.
- 2.26. The Authority hereby imposes on JLTSL a financial penalty of £7,881,700 pursuant to section 206 of the Act.
- 2.27. Any facts or findings in this Notice relating to any function, committee or group of persons should not be read as relating to all the members of that function, committee, or group, or even necessarily any particular individual.

3. DEFINITIONS

3.1. The definitions below are used in this Notice:

“the Act” means the Financial Services and Markets Act 2000.

“the Authority” means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority.

“the Authority’s Handbook” means the Authority’s Handbook of rules and guidance.

“ARC” means Audit and Risk Committee.

“DEPP” means the Decision Procedure and Penalties Manual as set out in the Authority’s Handbook.

“EDD” means Enhanced Due Diligence.

“the Financial Crime Team” means JLT Group’s Financial Crime team.

“Company A” means a state-owned insurance company based in a country where there is perceived to be a high level of bribery and corruption, according to Transparency International’s Corruption Perception Index.

“Company B” means a third party introducer company incorporated in Panama, a country where there is perceived to be a high level of bribery and corruption according to Transparency International’s Corruption Perception Index.

“JLTCW” means JLT Colombia Wholesale Limited, a company incorporated in the United Kingdom and wholly owned by JLT Latin America.

“JLT Group” means Jardine Lloyd Thompson Group plc which was renamed as Jardine Lloyd Thompson Group Ltd on 7 June 2019 and JLT Group Holdings Limited from 16 July 2020.

"JLT Group's Anti-Bribery and Corruption Policy" means JLT Group's Group Risk & Compliance – Group Anti Bribery and Corruption Policy dated November 2014 (approved in December 2014).

"JLT Group entity" means a subsidiary of JLT Group.

"JLT Latin America" means JLT Latin American Holdings Limited, a wholly owned subsidiary of the JLT Group of companies incorporated in the United Kingdom, the ultimate parent company of which was JLT Group.

"JLT Re Colombia" means (i) JLT Re Colombia Corredores Colombianos de Reaseguros, a company incorporated in Colombia and 94.5% owned by JLTWCW (the other shareholders are other JLT Group entities) and (ii) where appropriate JLTWCW (which, according to JLT Group, was in practice operated by JLT Re Colombia).

"JLTSL" means JLT Specialty Limited.

"KYC DSC" means JLTSL's KYC Delegated Sub-Committee of JLTSL's Board.

"KYC Policy" means JLT Group's Know Your Customer (KYC) Policy and Procedures Manual – Third Party Due Diligence Process dated 1 October 2013 (Version 3).

"the KYC Team" means JLT Group's KYC team, part of the Financial Crime Team.

"MMC" means Marsh & McLennan Companies, Inc.

"Overseas Introducer" means an overseas third party that helps JLTSL and other JLT Group entities win or retain business from insurers or industry clients based in overseas jurisdictions.

"PEP" means Politically Exposed Person.

"Relevant Period" means the period from 21 November 2013 to 6 June 2017.

"SYSC" means the Authority's Senior Management Arrangements, Systems and Controls Sourcebook.

“the Principles” means the Authority’s Principles for Businesses.

“the Skilled Person” means the skilled person engaged by JLT Group on 3 April 2012 to assess the control functions within JLT Group, including JLTSL, and on 2 January 2013 to assess the design and effectiveness of JLTSL’s third party anti-bribery and corruption systems and controls.

“the Skilled Person’s first review” means the review to assess the control functions within JLT Group which resulted in the final report produced by the Skilled Person on 12 September 2012.

“the Skilled Person’s second review” means the review to assess the design and effectiveness of JLTSL’s third party anti-bribery and corruption systems and controls which resulted in the final report produced by the Skilled Person on 21 November 2013.

“Third Party Operating Manual” means JLT Group’s Operating Manual - Third Parties (Version 1) dated 12 January 2017.

“the Tribunal” means the Upper Tribunal (Tax and Chancery Chamber).

4. FACTS AND MATTERS

Background

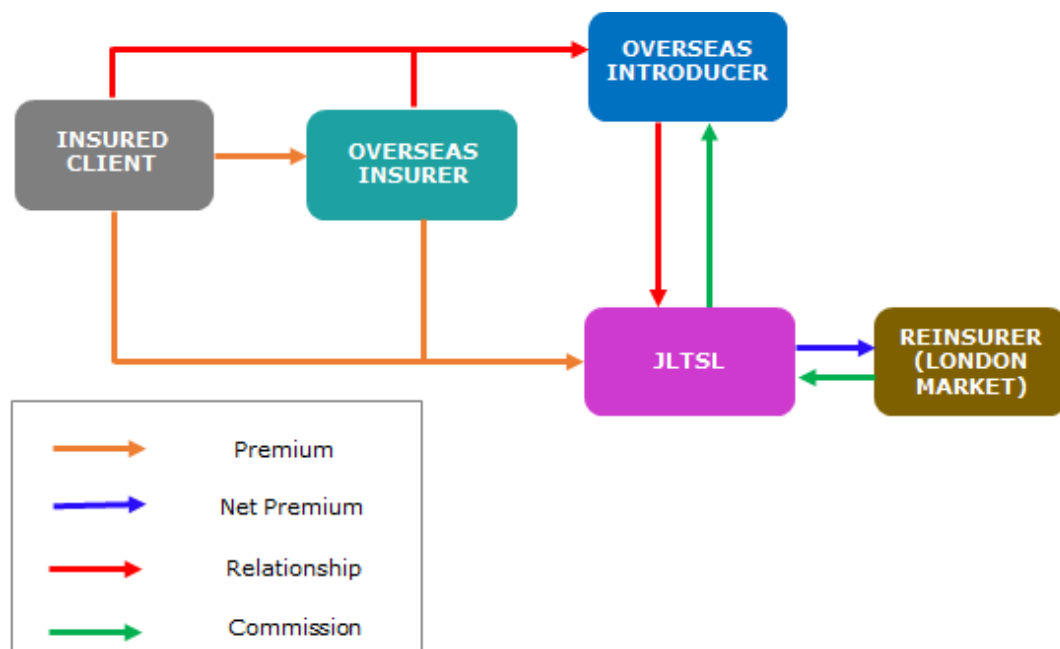
- 4.1. During the Relevant Period, JLTSL was a wholly owned subsidiary of the JLT group of companies. The ultimate parent company of the group was JLT Group. JLT Group provided insurance, reinsurance and employee benefits related advice, brokerage, and associated services. On 1 April 2019, JLT Group was acquired by MMC, a global professional services firm.
- 4.2. JLTSL has been authorised by the Authority since 14 January 2005 to carry out certain regulated activities, including assisting in the administration and performance of a contract of insurance. It provided insurance broking, risk management and claims services across a wide range of business sectors, including aerospace, marine and energy, to national and international corporate clients.

- 4.3. As part of its services as an insurance broker, JLTSL worked with insurers based in overseas jurisdictions who wanted to reinsure all or part of an insured client's risks on the London reinsurance market. JLTSL was instructed by overseas insurers to place these risks on the London reinsurance market and acted as a broker between an overseas insurer and a reinsurer.

JLTSL's direct relationships with Overseas Introducers

- 4.4. As part of its business, JLTSL entered into relationships with Overseas Introducers. JLTSL dealt with Overseas Introducers from several countries in connection with the reinsurance of risk from a number of industry sectors such as aviation, marine and energy. Overseas Introducers include companies or individuals that have limited or no involvement in the placement of insurance and assist by introducing clients to JLTSL. JLTSL generated revenue from the commission it received for placing the business of insured clients on the London reinsurance market. JLTSL then paid a share of that commission to the Overseas Introducer, as shown in Diagram 1 below.

Diagram 1



- 4.5. Due to the nature of the services they provide, Overseas Introducers pose a higher risk of bribery and corruption in assisting insurance brokers to win or retain business. There is likely to be an increased risk of an Overseas Introducer being the recipient of a bribe or paying a bribe to others from the commission it receives if:

- (1) the Overseas Introducer is connected to the overseas insurer, insured client, or a public official;
- (2) the Overseas Introducer is introducing business from a country which is perceived to have a higher risk of bribery and corruption;
- (3) the amount of commission paid appears high compared with the amount of work the Overseas Introducer carried out;
- (4) the Overseas Introducer is paid commissions on the instructions of another party; or
- (5) the Overseas Introducer requires payment of commission in advance of premiums being paid and commissions received.

4.6. As a result, it was important for JLTSL to take reasonable care to put in place robust systems and controls to prevent and mitigate the risk of bribery and corruption associated with Overseas Introducers. Indeed, prior to and throughout the Relevant Period, JLTSL recognised the increased risk posed by Overseas Introducers (see paragraph 4.9 onwards below).

4.7. The Authority has published a number of reports and guides to assist commercial insurance brokers in managing their bribery and corruption risks:

- (1) in May 2010, the Authority published guidance for commercial insurance brokers on anti-bribery and corruption in a thematic report, with a particular focus on reducing the risk of illicit payments or inducements to third parties in order to obtain or retain business;
- (2) in November 2014, the Authority published a report of its findings from a thematic review which provided examples of good practice for commercial insurance broker firms to consider in managing their bribery and corruption risks; and
- (3) the Authority has also published several financial crime guides which provide guidance to firms on the steps they can take to reduce their financial crime risk, including bribery and corruption risks, when dealing with third parties.

- 4.8. Since 2009, the Authority has taken action against several commercial insurance brokers for failing to take reasonable care to establish and maintain effective systems and controls to counter the risks of bribery and corruption associated with making payments to overseas third parties who assist in winning or retaining business. This included taking enforcement action against JLTSL in 2013 (see paragraph 4.16 below).

The Authority's previous action against JLTSL

The Skilled Person's first review

- 4.9 In April 2012, the Authority required JLT Group to commission a skilled person's review to assess the adequacy of the control functions within JLT Group which provided control function services (Compliance, Risk, and Internal Audit) to four regulated entities, including JLTSL. The review also assessed the governance of these functions by JLT Group senior management.
- 4.10 The review identified weaknesses in JLT Group's control framework and accordingly, JLT Group, with the advice and approval of the Skilled Person, implemented an enhanced three lines of defence control framework which was adopted on a group-wide basis (including JLTSL).

The Skilled Person's second review

- 4.11 Following a periodic review in May 2012, the Authority determined that there were significant deficiencies in JLTSL's third party systems and controls and required JLTSL to commission a skilled person's review under section 166 of the Act. The purpose of the review was to assess the design and operational effectiveness of JLTSL's third party controls, including its risk assessment methodology, procedures, and processes. The purpose of the review was also to make recommendations to enable JLTSL to bring its third party systems and controls up to a satisfactory standard so that it could control and mitigate its bribery and corruption risks. The review also assessed JLTSL's implementation of the Skilled Person's recommendations.
- 4.12 The review focused specifically on situations where JLTSL directly engaged with and paid commission to third parties (including Overseas Introducers). The review did not consider (and neither did JLTSL) whether additional safeguards or

processes should be incorporated into JLTSL's third party processes in situations where the introducer was engaged by another JLT Group entity, but where the reinsurance was placed on the London reinsurance market by JLTSL (see paragraph 4.18 below for more information).

- 4.13 Given the Authority's concerns about the adequacy of JLTSL's controls, on 6 December 2012 JLTSL voluntarily varied its permissions at the Authority's request such that it was unable to enter into new relationships with third parties, nor make payments to third parties which had a connection to a high risk jurisdiction or other known significant risk factors, without prior approval from the Skilled Person.
- 4.14 In November 2013, the Skilled Person provided its findings in a report to JLTSL and the Authority. These findings included that the revised procedures and underlying documentation were effective in assessing and mitigating the potential bribery and corruption risks to JLTSL arising from all situations where JLTSL directly engaged with a third party (including Overseas Introducers), and that the third party approval process was fit for purpose and working effectively in practice. The Skilled Person also made a series of recommendations with which JLTSL agreed and put in place actions to implement these.
- 4.15 As a result of the Skilled Person's findings, the Authority agreed to remove JLTSL's variation of permissions in November 2013. However, the Authority told JLTSL that "the process for assessing third party risk cannot be a mere box ticking exercise" and "judgement has to be correctly exercised at the right time and at the right level".

The Authority's previous enforcement action

- 4.16 On 19 December 2013, the Authority imposed a financial penalty on JLTSL of £1,876,000 for breaches of Principle 3 of the Authority's Principles for Businesses during the period 19 February 2009 to 9 May 2012. The Authority found that JLTSL breached Principle 3 by failing to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems and controls for countering the risks of bribery and corruption associated with making payments to Overseas Introducers. The Authority found that:

- (1) JLTSL failed to conduct adequate due diligence before entering into a relationship with an Overseas Introducer. In particular, JLTSL did not take adequate steps to assess whether the Overseas Introducer was connected with the clients it introduced and/or any public officials.
- (2) JLTSL failed to adequately assess the risk associated with each piece of new insurance business introduced by an Overseas Introducer, which meant that JLTSL could not ensure that it took sufficient steps to counter the risk of bribery and corruption prior to making payments to Overseas Introducers.
- (3) JLTSL failed to adequately implement its own anti-bribery and corruption policies, which resulted in the risk of JLTSL entering into higher risk relationships with Overseas Introducers without sufficient senior management oversight and approval. Moreover, JLTSL failed to carry out adequate checks, which would have enabled it to identify that its policies were not being implemented correctly.

4.17 The Authority concluded that the above failings gave rise to an unacceptable risk that payments made by JLTSL to an Overseas Introducer could subsequently be used for corrupt purposes, including the risk of paying bribes to persons connected with the insured clients and/or public officials.

JLT Group's group-wide anti-bribery and corruption framework

- 4.18 Prior to and following the above financial penalty, JLTSL and its senior management made significant efforts to improve its systems and controls framework, especially in relation to third parties such as Overseas Introducers, including with the advice and approval of the Skilled Person.
- 4.19 In 2013 JLT Group and JLTSL worked with the Skilled Person to develop a group-wide third party due diligence and approval process to mitigate the risk third parties (including Overseas Introducers) posed to JLT Group entities, in particular the risk of bribery and corruption. This group-wide process was in place throughout the Relevant Period and included a number of JLT Group policies and procedures, such as JLT Group's Anti-Bribery and Corruption Policy and the KYC Policy.

- 4.20 For example, JLT Group's Anti-Bribery and Corruption Policy prohibited employees of all majority owned JLT Group entities, such as JLTSL, from engaging in any activity with any party that might be construed as a corrupt relationship, including improperly securing or retaining business for JLT Group. Other policies provided examples to help employees of JLT Group entities based in the UK (including JLTSL) assess whether a situation carried a risk of bribery and corruption, including excessive payments or benefits to third parties (having regard to the existing or potential business relationship), a payment to a third party being disproportionate to the service provided by them and benefits being targeted exclusively at key decision makers.
- 4.21 JLT Group's third party due diligence and approval process, including the requirements of its KYC Policy, are set out in paragraphs 4.58 to 4.65 below.
- 4.22 JLT Group entities, including JLTSL, were required to adopt JLT Group's policies and procedures and comply with them. JLT Group entities had a limited role in the creation and content of JLT Group's policies and procedures, but could enhance them, for example where a policy needed to be amended to comply with more stringent local legislation or regulations. Beyond this, they had no autonomy to produce their own policies other than creating their own procedures to comply with JLT Group standards and policies. Nonetheless, it was JLTSL's responsibility, as an authorised firm, to ensure that the policies and processes it relied upon were appropriate for all of its dealings with Overseas Introducers.
- 4.23 In implementing the First Skilled Person's Report, JLT Group introduced a three lines of defence model to mitigate against risks to the business, including the risk of bribery and corruption. In relation to JLTSL:
- (1) its Business Controls team (which later became its Business Controls Quality Assurance team) was a first line compliance team which assisted JLTSL management to monitor compliance with systems and controls, including in relation to third parties. Where JLTSL intended to directly engage with and make payments to third parties (including Overseas Introducers), the Business Controls team was responsible for preparing the application forms and submitting them to the KYC Team for review and approval (see paragraph 4.60(1) below).

(2) the KYC Delegated Sub-Committee (a delegated sub-committee of JLTSL's Board) considered the bribery, corruption and other financial crime risk exposure to JLT Group from JLTSL's use of third parties who are paid a commission (including Overseas Introducers). This included responsibility for considering applications and either approving or declining requests to use third parties, reviewing completed risk assessments and accompanying due diligence for potential or existing third party accounts and considering the approval of relationships where JLTSL received gross premiums from the insured/reinsured and remitted commission back to the third party. Where JLTSL intended to directly engage with and make payments to third parties (including Overseas Introducers), the KYC DSC would be provided with a summary of the risk assessment and due diligence undertaken on the third party by the KYC Team. The KYC DSC would consider these cases and either approve the relationship, request further information, or reject the relationship.

4.24 JLTSL had in place various monitoring and oversight processes to ensure that this system operated as designed and intended.

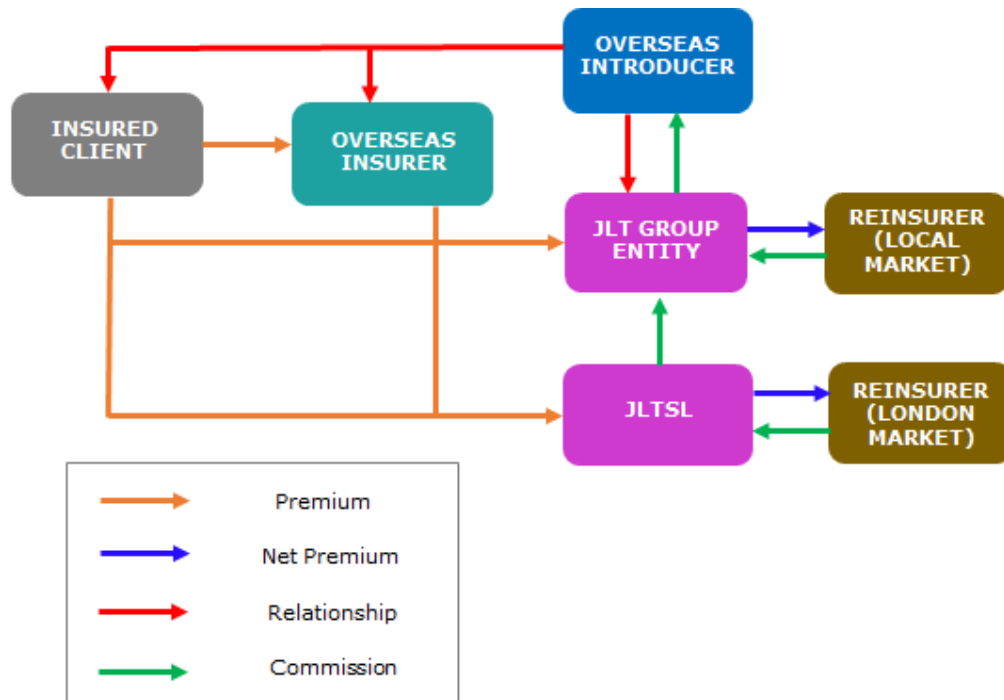
4.25 JLT Group Risk and Compliance acted as the JLT Group's and the JLT Group entities' second line of defence. JLT Group Risk and Compliance owned JLT Group's third party policies and framework and provided advice to JLT Group entities on compliance with the third party framework. In particular, its Financial Crime team was responsible for the third party due diligence and approval process both at the outset of a relationship and on renewal. The due diligence and approval process for Overseas Introducers was performed by the KYC Team, part of the Financial Crime Team.

JLTSL's indirect relationships with Overseas Introducers

4.26 As well as directly entering into relationships with Overseas Introducers, JLTSL also placed business on the London reinsurance market where that business was won and retained by another JLT Group entity with the assistance of an Overseas Introducer engaged by that other entity. In this arrangement, the Overseas Introducer introduced the business of the insured client or the overseas insurer to another JLT Group entity, which in turn instructed JLTSL to reinsure some or all of this business on the London reinsurance market. The commission was shared between JLTSL and the other JLT Group entity. The other JLT Group entity

then paid a share of the commission to the Overseas Introducer, as set out in Diagram 2 below:

Diagram 2



4.27 As a result of these indirect relationships with Overseas Introducers, during the Relevant Period JLTSL made 466 placements on the London reinsurance market for 40 different overseas insurers and 106 different insured clients, earning £8,515,292 in commission from these placements.

4.28 Almost a fifth of these placements were made on behalf of Company A, from which JLTSL earned £4,807,938.63 in commission (approximately 56% of the total commission earned from business introduced indirectly by Overseas Introducers).

JLTSL’s relationship with Company A

4.29 In March 2013, Company A, a state-owned insurance company based in a country where there is perceived to be a high level of bribery and corruption, appointed JLTSL as Broker of Record (an insurance agent who is responsible for managing and representing a policyholder’s insurance policy) to broker the reinsurance of aviation insurance policies for that country’s defence ministry for three months from 6 April 2013 to 6 July 2013. These insurance policies covered defence assets such as military aircraft.

- 4.30 Company A subsequently reappointed JLTSL as Broker of Record to broker the reinsurance of the same aviation risks for the 12 months from 6 July 2013 to 6 July 2014 (the "2013/2014 aviation reinsurance").
- 4.31 Between March 2013 and September 2013, JLTSL dealt with Company A via a local reinsurance broker. However, following the appointment of new senior management at Company A, Company A informed JLTSL in September 2013 that JLTSL should deal directly with Company A instead. JLTSL learned the following month that its relationship with Company A had deteriorated. Consequently, JLTSL became concerned about its ability to win or retain business from Company A, in particular the forthcoming renewal of the aviation risks referred to at paragraph 4.29 above from 7 July 2014.
- 4.32 At, or shortly after, a meeting between JLTSL and Company A on 6 November 2013, Company A informed JLTSL that it wanted to replace JLTSL, mid-way through the contract, as the Broker of Record for the existing placement of the 2013/2014 aviation reinsurance.
- 4.33 In or around December 2013, JLT Re Colombia became involved in these discussions. Company A told JLT Re Colombia that it would not work with JLT Group entities until certain issues, including JLTSL's use of local reinsurance brokers on previous placements for Company A, had been resolved.
- 4.34 Soon after, JLT Re Colombia contacted Company B, a company incorporated in Panama, a country where there is perceived to be a high level of bribery and corruption, and Company B offered to help resolve these issues. JLT Re Colombia accepted Company B's offer to help rebuild JLTSL's relationship with Company A.
- 4.35 On 13 January 2014, JLT Re Colombia met with Company A and thereafter, sought to arrange a meeting between Company A and JLT Latin America. Company A initially declined the meeting but eventually agreed after it was persuaded by Company B to meet. The purpose of this meeting, which took place on 16 January 2014, was to rebuild JLTSL's relationship with the new management of Company A. However, Company A said at the meeting that it was not interested in continuing a relationship with JLTSL.
- 4.36 In mid-February 2014, executives of Company A visited JLT Group's offices in London to meet with executives from JLT Latin America and JLT Group. Company

B also helped to arrange this meeting although it did not attend it. Company A decided at, or following, the meeting not to remove JLTSL as the Broker of Record for the 2013/2014 aviation reinsurance having been convinced by JLT Group that it was reputable to deal with.

JLTSL's dealings with Company B prior to May 2014

- 4.37 By February 2014, JLTSL was fully aware of Company B and its role in helping rebuild JLTSL's relationship with Company A. Around this time, JLTSL employees entered into negotiations with Company B about the share of commission Company B would receive for having helped JLT Group convince Company A not to remove JLTSL as the Broker of Record midway through the existing placement of the 2013/2014 aviation reinsurance.
- 4.38 Company B requested a 50% share of the commission earned by JLTSL for this placement. JLTSL had expected to earn approximately US\$1.3 million. Ahead of a meeting with Company B, JLT Re Colombia told JLTSL it was concerned that offering half of this amount would not be enough and could negatively affect their relationship with Company B.
- 4.39 At their meeting on 19 February 2014, Company B told JLT Re Colombia it was unhappy with JLTSL's offer. It threatened that unless JLTSL increased its offer not only would JLTSL not be renewed as the Broker of Record for the placement of the 2014-2015 aviation risks but JLT Group entities may be banned from doing business in the country of Company A.
- 4.40 Over the course of the next few days, JLT Re Colombia relayed to JLTSL both Company B's reaction and its request that JLTSL instead pay it approximately US\$1.8 million (approximately US\$1.48 million more than JLTSL had offered and approximately US\$500,000 more than JLTSL had expected to earn in commission on that placement). When questioned as to whether JLTSL was being fully transparent with the amount of commission it had earned, a JLTSL senior manager replied: "*They [Company B] don't appear to be able to do some very basic maths*".
- 4.41 Notwithstanding that the JLTSL senior manager felt that Company B had not done anything to warrant a percentage of the commission from the placement of the 2013/2014 aviation reinsurance, they felt pressurised into agreeing to pay the US\$1.8 million it had requested because of the "*harassment*" from Company B.

One JLTSL employee also later referred to Company B's demands as "unreasonable".

- 4.42 JLTSL nonetheless agreed on 21 February 2014 to pay Company B 8% commission for any future business it introduced as well as US\$1.8 million for helping JLTSL remain as the Broker of Record for the placement of the 2013/2014 aviation reinsurance. The agreement was conditional on a guarantee that JLTSL would secure the next two renewals of the same risks. This condition allowed JLTSL to use the commissions earned from these future renewals to pay Company B US\$1.8 million over a course of time rather than immediately. A few days later, JLTSL told JLT Re Colombia that it would be able to pay US\$300,000 to Company B "as an initial down-payment toward (sic) the overall promised settlement" of US\$1.8 million "in order to cement [JLTSL's] friendship" with Company B.
- 4.43 At this point, a couple of senior managers at JLTSL and JLT Latin America expressed serious doubt to JLT Re Colombia about Company B's role. On 25 February 2014, an executive of JLT Latin America told JLT Re Colombia that "there is no way the JLT Group can pay an introductory commission in seven figures to a couple of [...] individuals in Miami. They seem to have no real company" and said that "it is clear they are not a firm of substance". Referring to the action that had recently been taken by the Authority, he considered it was unlikely that Company B would be approved as a third party introducer under the KYC Policy and emphasised that "significant due diligence" would need to be undertaken before any payments could be made to Company B.
- 4.44 In addition, on 18 March 2014, a member of JLTSL's Board stressed to employees at both JLT Re Colombia and JLTSL that "we would not be able to make any payments to Third Parties without good cause and this would require proper Due Diligence to understand who they are, what they are adding to the process, what contacts they may have with [Company A]".
- 4.45 However, as explained in paragraphs 4.66 to 4.74, insufficient due diligence was performed on Company B before it was approved as an Overseas Introducer.
- 4.46 On 25 March 2014, a JLTSL employee visited Company B's offices in Miami. JLT Re Colombia had arranged the meeting with a view to JLTSL finalising an agreement with Company B about its share of commission, particularly the US\$1.8 million commission it had requested. JLT Re Colombia informed the JLTSL

employee ahead of the meeting that if an agreement was not reached, Company B would take its services elsewhere to other international reinsurance brokers. Prior to these meetings, a JLTSL senior manager advised the JLTSL employee that they should do their best at these meetings but "*stand firm on [their] principles*" because they were not "*willing to compromise [JLTSL's] integrity*" to reach an agreement with Company B.

- 4.47 At the meeting, the JLTSL employee met representatives of Company B and was told that they "*had been given the brief*" by Company A "*to act as the ongoing guardian to the insurance requirements of the country*". Company B told the JLTSL employee that JLT Re Colombia was "*their interlocutor on the insurances...who they had a trusted relationship with and who they had dealt with previously over a number of years*" and "*was the axis point for the administration of all opportunities that may arise on the [Company A's] portfolio*".
- 4.48 At the following meeting on 1 April 2014, the JLTSL employee and Company B agreed that JLTSL would attempt an early renewal of the aviation risks by cancelling the existing policy and rewriting it again or renewing the policy in advance of the July 2014 renewal date, which Company B supported. The JLTSL employee also reminded Company B that JLT Re Colombia was in the process of securing its approval as an Overseas Introducer under JLT Group's policies and procedures.
- 4.49 JLT Re Colombia then told JLTSL employees on 27 April 2014 that Company B was not going to assist JLTSL unless it made an upfront payment of part of the US\$1.8 million as a "*good faith sign*" or a "*goodwill gesture*". On 29 April 2014, Company B contacted JLTSL directly and requested an advance payment of US\$500,000.
- 4.50 The following day, on 30 April 2014, JLT Re Colombia notified JLTSL that JLT Re Colombia and JLTSL had been appointed by Company A as the reinsurance broker for the aviation risks of an insured client. JLT Re Colombia asked JLTSL to confirm the proposal to pay Company B US\$500,000. On the same date, a JLTSL senior manager confirmed that JLTSL would transfer US\$500,000 to JLT Re Colombia to pay Company B in "*good faith*". As a result, Company B agreed to work with JLTSL in helping it to win or retain business from Company A.
- 4.51 By the end of April 2014, certain JLTSL employees were therefore aware that:

- (1) JLTSL's client, Company A, was a state-owned entity incorporated in and trading from a jurisdiction which presents a high risk of bribery and corruption;
- (2) following a change of senior management at Company A, it intended to remove JLTSL as Broker of Record for the placement of the 2013/2014 aviation reinsurance;
- (3) Company B had been appointed by Company A "to act as the ongoing guardian to the insurance requirements" of the country Company A was incorporated in and that JLT Re Colombia was Company B's "interlocutor";
- (4) as Company B had not played any part in JLTSL's initial appointment as Broker of Record, the US\$1.8 million it agreed to pay Company B for persuading Company A not to remove it as Broker of Record was disproportionate to the amount of work Company B carried out. The sum was US\$500,000 more than JLTSL itself was earning in commission;
- (5) Company B threatened to ban JLT Group entities, including JLTSL, from carrying out reinsurance business in the country of Company A unless JLTSL agreed to pay Company B the US\$1.8 million; and
- (6) Company B then demanded an advance payment of US\$500,000 out of the agreed US\$1.8 million as a gesture of "good faith".

4.52 The following matters ought to have appeared to the JLTSL employees as red flags indicating a significant risk of Company B paying a bribe to others from the commission it was to receive:

- (1) Company B was connected to Company A's senior management, who were government officials;
- (2) Company B was introducing business from a jurisdiction which presents a higher risk of bribery and corruption;
- (3) the amount of commission that was agreed to be paid was high compared with the amount of work that Company B carried out (Company B's role was that it assisted JLT Group in persuading Company A not to remove JLTSL from

a reinsurance placement that JLTSL had previously been appointed to carry out without Company B's involvement); and

(4) Company B required advance payment of part of its commission share.

4.53 However, the JLTSL employees did not treat these matters as red flags from a bribery and corruption perspective.

Initiation of the due diligence process by JLT Re Colombia

4.54 On 1 May 2014, JLT Re Colombia initiated JLT Group's third party due diligence process to onboard Company B as an Overseas Introducer, and informed JLTSL employees that it had done so.

4.55 JLTSL played no role in the consideration and approval of Company B as an Overseas Introducer. For example, its Business Controls team was not involved in the due diligence process and the KYC DSC was not involved in reviewing and approving the relationship with Company B.

4.56 As shown in paragraphs 4.37 to 4.53 above, JLTSL employees were in direct contact with Company B earlier in 2014. JLTSL was the decision maker in the negotiation of Company B's share of commission. Further, during the Relevant Period, in carrying out a regulated activity, JLTSL placed 95.2% of Company A's business on the London reinsurance market as a result of Company B's introduction (only 4.8% of this business was reinsured locally by JLT Re Colombia).

4.57 JLTSL employees that were involved in the negotiations with Company B and in placing the business in the London market failed to escalate relevant facts to the attention of the Financial Crime Team which would have materially affected its assessment of Company B (see paragraph 4.71 below).

JLT Group's third party due diligence and approval process

4.58 As explained in paragraph 4.18, following the Skilled Person's first review, JLT Group designed and implemented (with the approval of the Skilled Person) a group-wide third party due diligence and approval process to mitigate the risk posed by third parties (including Overseas Introducers) to JLT Group and its

subsidiaries, particularly the risk of bribery and corruption. This group-wide process included the KYC Policy. This system was approved for all situations where JLT Group entities directly engaged with third parties, including Overseas Introducers.

Due diligence process

4.59 Between 1 October 2013 and 12 January 2017, the KYC Policy set out the detailed procedures which employees of all JLT Group entities had to follow in order to establish relationships with third parties. This included the use of a risk assessment tool which was based upon five tiers of due diligence to be collated and assessed according to the category of the third party and the risk profile associated with it.

4.60 For Overseas Introducers, the first four tiers were as follows:

(1) In Tier 1 (Data Gathering), the JLT Group entity wanting to establish a relationship with the Overseas Introducer was responsible for gathering or completing the following information and submitting it to the KYC Team for review:

- (i) a Business Case form (to be completed by the JLT Group entity) to provide information about the Overseas Introducer, including a "strong reasoning" for why the Overseas Introducer is required and a detailed explanation of the Overseas Introducer's role and services provided;
- (ii) an Introducer Questionnaire (to be completed by the Overseas Introducer); and
- (iii) an Introducer Agreement (to be signed by both the JLT Group entity and the Overseas Introducer following the due diligence process and consequent approval of the Overseas Introducer).

(2) Tier 2 (Know Your Client) involved the KYC Team obtaining corporate information about the Overseas Introducer, including WorldCheck searches, an Orbis check and its incorporation or registration details.

- (3) In Tier 3 (Know Your Client analysis) the KYC Team reviewed the information gathered at tiers one and two, including the information contained within the Business Case form and the Introducer Questionnaire. They also carried out additional WorldCheck searches on the directors, shareholders and associated companies of the Overseas Introducer, performed open source and Factiva checks for any adverse media, verified that the directors of the Overseas Introducer were the same as those listed in the Introducer Questionnaire, and validated the Overseas Introducer's bank account details. In particular:
- (i) In respect of the Business Case form, the KYC Team had to ensure that there was an adequate commercial rationale to support payments to the Overseas Introducer, including why it is necessary to use the Overseas Introducer to win business and the service that will be received from the Overseas Introducer in return for a share of commission. If the Business Case form contained insufficient reasoning for the sharing of commission, the Business Case form was to be referred back to the JLT Group entity. Equally, if the Introducer Questionnaire was incomplete or insufficient, it was to be referred back to the Overseas Introducer.
 - (ii) However, there was no guidance to assist the KYC Team with assessing whether the Business Case form contained an adequate commercial rationale to support payments to an Overseas Introducer or to assess whether it contained a "strong reasoning" for why the Overseas Introducer was required.
- (4) At Tier 4 (Enhanced Bribery and Corruption), following their analysis of the information gathered at tiers one to three, the KYC Team were required to assess the bribery and corruption risk if the JLT Group entity was to enter into a relationship with the Overseas Introducer. The assessment process, known as the "Alarm Bells" process, involved the assessment of the risk presented by the Overseas Introducer against ten key risk factors, with each risk factor being assigned a score of up to three Alarm Bells up to a maximum total score of 30 Alarm Bells. The ten risk factors included the nature of the role of the third party (for example, Overseas Introducers were considered the highest risk), the country where the third party was domiciled, whether the third party's bank account details had been validated, and the country where the third party's bank account was domiciled.

4.61 JLT Group did not provide any written guidance to the KYC Team on how to determine the appropriate score for each of the ten key risk factors when completing the risk assessment for an Overseas Introducer, for example, whether to score a risk factor one, two or three Alarm Bells. However, the initial scoring on the risk assessment forms was reviewed for quality assurance purposes by a senior member of the Financial Crime Team to ensure the scores were appropriate.

Enhanced Due Diligence ("EDD")

4.62 During the Relevant Period, the need for EDD was considered at Tier 5 of the due diligence process set out in the KYC Policy. The level of EDD required depended on the Alarm Bells score at Tier 4:

- (1) if an Overseas Introducer was assigned a score of up to 15 Alarm Bells, no EDD was required, although EDD may have been required if particular risk factors were identified in the risk assessment;
- (2) if an Overseas Introducer was assigned a score of between 16 and 25 Alarm Bells, EDD was required and could include one or more of the following: a JLT Group entity board director meeting with the Overseas Introducer, searching for adverse media in the language of the country where the Overseas Introducer was based, searching additional external data sources, and commissioning a report from a specialist external provider; or
- (3) if an Overseas Introducer was assigned a score of 26 or more Alarm Bells, EDD was required and, in addition to the steps listed in sub-paragraph (2) above, could also include a more extensive report from a specialist external provider.

Approval process

4.63 The number of Alarm Bells assigned to an Overseas Introducer during the risk assessment process also determined the seniority of authorisation required to approve the relationship with that Overseas Introducer. For example, if an Overseas Introducer was assigned 16 to 25 Alarm Bells, the relationship would need to be approved by the KYC Team manager or Financial Crime manager, JLT Group's Head of Financial Crime and members of the JLT Group entity's Board.

For a score of over 25 Alarm Bells, approval was additionally required from JLT Group's Head of Risk and its Group Legal Director (although in practice, from March 2015, approval was only required from one of these individuals not both).

- 4.64 Everyone required to approve a relationship with an Overseas Introducer received a pack of documentation containing the risk assessment form, the Business Case form, the Introducer Questionnaire, any pertinent email exchanges which brought clarity to the relationship and any adverse media or results from screening (where available).
- 4.65 Once all the due diligence checks had been completed and the relationship was approved, the Overseas Introducer would be set up on JLT Group's system as a new contact.

Onboarding of Company B

- 4.66 As stated in paragraph 4.54 above, JLT Re Colombia initiated the due diligence process to onboard Company B on 1 May 2014.
- 4.67 JLT Re Colombia deliberately withheld from the Financial Crime Team material relevant information in respect of the proposed relationship with Company B. JLTSL employees that were involved in the negotiations also failed to escalate matters which would have materially affected the Financial Crime Team's assessment of Company B. In addition, notwithstanding that the Financial Crime Team had previously advised a senior executive of JLT Group in April 2014 that they would take a "close interest" in making sure that Company B received "appropriate attention" during its due diligence process, the Financial Crime Team failed to carry out adequate due diligence on Company B.

Failure to disclose material relevant information

- 4.68 JLT Re Colombia supplied the Financial Crime Team with copies of a Business Case and Introducer Questionnaire, a reference letter from Company B's bank, and a letter from Company B. In addition, JLT Re Colombia supplied an Introducer Agreement between JLT Re Colombia and Company B dated 21 April 2014 and signed 5 May 2014.

4.69 However, JLT Re Colombia failed to include in Company B's Business Case form and otherwise failed to bring the following information to the attention of the Financial Crime Team:

- (1) that JLTSL had a pre-existing relationship with Company A without the involvement of Company B and that, following a change of senior management, Company A had sought to end this relationship;
- (2) Company B's involvement in convincing Company A not to replace JLTSL as the Broker of Record;
- (3) Company B's demand for a US\$1.8 million payment for helping JLTSL keep this account, notwithstanding that JLTSL only earned US\$1.3 million on that placement;
- (4) The threat Company B had made to ban JLT Group entities from doing reinsurance business in the country of Company A if JLTSL did not increase its initial offer to US\$1.8 million; and
- (5) Company B's request for a US\$500,000 "*good faith sign*" or "*goodwill gesture*" payment which JLTSL had agreed to pay.

4.70 These matters are likely to have significantly affected JLT Group's decision to approve Company B as an Overseas Introducer if the relevant decision makers had been aware of them at the time.

4.71 Certain JLTSL employees were aware of all of these matters through their contact with Company B (see paragraph 4.47 above). Although the JLTSL employees received copies of Company B's completed Business Case form and Introducer Questionnaire from JLT Re Colombia, there is no evidence that the JLTSL employees considered notifying the Financial Crime Team or the KYC DSC of the materially relevant information regarding Company B or took any steps to check whether JLT Re Colombia raised these important matters during the due diligence process.

Failure by the Financial Crime Team to adhere to the due diligence process

4.72 The Financial Crime Team, based on the information supplied to it by JLT Re Colombia, identified a variety of red flags indicating that the proposed

engagement of Company B presented high risk and therefore conducted EDD in relation to Company B. This EDD included:

- (1) independently reviewing and confirming information contained within Company B's broker questionnaire (such as its location, legal status, ownership, and banking information);
- (2) asking JLT Re Colombia to answer various follow-up questions about Company B (such as diagramming the proposed flow of premiums and commissions for policies proposed to be introduced by Company B); and
- (3) running various information checks on Company B (such as WorldCheck and Factiva searches, and checks with Panama's company register).

4.73 The Financial Crime Team, however, failed to carry out adequate due diligence in a number of material ways:

- (1) The Business Case completed by JLT Re Colombia did not contain a "strong reasoning" as to why Company B was required to win Company A's business. The Business Case also did not contain a detailed explanation of Company B's role and the services it would provide to JLT Group entities, including JLTSL, in return for a share of commission, to ensure that there was adequate commercial rationale to support payments to Company B:
 - (i) In response to the question, *"Please provide reasons/business justification for doing business with this broker"*, the Business Case contained a single sentence that Company B had *"Very strong connections"* with Company A and *"with the largest industrial Groups"* in the same country.
 - (ii) In response to the question, *"Please provide full details of the activities the broker proposes to undertake"*, the Business Case simply stated that one of Company B's principals *"has been an Insurance Broker (life-high net worth individuals) for more than fifteen (15) years to high net worth families"* in the same country as Company A, which *"...has given him very strong influent (sic) connections"*. This answer failed to explain what Company B would do to help JLT Re Colombia

win or retain business, and how it would earn its share of the commission.

- (2) The Financial Crime Team did not verify the address that Company B had provided in its Introducer Questionnaire and failed to obtain a copy of its certificate of incorporation (although it did obtain confirmation from the Panamanian company registry that the company had been incorporated).
- (3) The Financial Crime Team failed to verify Company B's directors and shareholders. The search conducted by the Financial Crime Team on Panama's company register identified entirely different directors and shareholders to those listed in the Introducer Questionnaire, but the Financial Crime Team failed to carry out any further enquiries as to why this was the case.
- (4) The WorldCheck and Factiva searches that the Financial Crime Team carried out were limited to Company B's name and the directors and shareholders but did not include other associated individuals and companies that were identified in the Business Case form, or in information provided by Company B, who may have presented a financial crime risk.
- (5) The Financial Crime Team failed to verify Company B's bank account number. Although the Financial Crime Team did obtain confirmation from Company B's bank that Company B held an account with it, the confirmation did not state Company B's account number.
- (6) The Financial Crime Team failed to notice that the Introducer Agreement between JLT Re Colombia and Company B had already been signed by the parties on 5 May 2014 before Company B had been formally approved as an Overseas Introducer.

4.74 The Financial Crime Team also failed to score accurately some of Company B's risks relating to bank account validation and bank account domicile. This meant that Company B scored 22 Alarm Bells, rather than 25 or more. This meant that a lower level of authorisation was required for Company B, as well as a lower level of EDD (see paragraph 4.63 above).

Approval of the relationship

4.75 Despite the above due diligence failings, Company B's risk assessment was approved by the Financial Crime Team on 16 May 2014. The failure to obtain a copy of the certificate of incorporation and the failure to verify Company B's address was noted on the risk assessment form.

4.76 Company B was approved as an Overseas Introducer of JLT Re Colombia until 18 May 2015. The Financial Crime Team also failed to seek the appropriate authorisation required by the KYC Policy as only one member of JLT Re Colombia's senior management signed the risk assessment form rather than two.

4.77 Company B's approval was subject to the following conditions:

"Strict attention to the background to and validity of any payments to or from [Company B] is required. All payments are to be open, transparent and subject to documented contract terms. Payments must represent fair value for goods/services received/supplied and be consistent with normal market practices.

Any engagement in terms of corporate entertainment and/or gifts is to be fully documented and pre-authorized. Records must be kept and must stand up to external scrutiny if required.

Adverse media searches are to be re-conducted on an annual basis."

4.78 On 16 May 2014, two JLTSL employees were notified by JLT Re Colombia that Company B's risk assessment form had been approved by the Financial Crime Team. However, those JLTSL employees did not take any steps to verify the content of the risk assessment form.

4.79 In summary, JLTSL was required to have appropriate controls in place to mitigate the risk of bribery and corruption from Company B's involvement. As an authorised firm, JLTSL failed to consider whether additional safeguards or approvals should be incorporated into JLTSL's third party processes with respect to Overseas Introducers engaged by another JLT Group entity where the introduced business was subsequently placed by JLTSL in the London market. In particular, despite the heightened bribery and corruption risk posed by Overseas Introducers to JLTSL, the processes did not require the approval of the KYC DSC

in addition to the approval of the JLT Group entity that was proposing to engage the Overseas Introducer and the Financial Crime Team.

4.80 Consequently, JLTSL did not:

(1) ensure that information, including potential red flags, held by JLTSL employees who were either involved in negotiating the relationship with the Overseas Introducer or placing the business in the London market was brought to the attention of the KYC DSC or the Financial Crime Team;

(2) ensure that the other JLT Group entity disclosed all material information about an Overseas Introducer to the Financial Crime Team for review, consideration, and action as necessary; and

(3) consider whether additional monitoring and oversight of Overseas Introducers, in accordance with JLTSL's processes, was appropriate.

4.81 The materially relevant information held by JLT Re Colombia and JLTSL employees presented issues which raised concerns about the risks associated with Company B. It was important that the Financial Crime Team was given the opportunity to assess the significance of this information and take the necessary action. Had the Financial Crime Team or the KYC DSC been in possession of this information relating to the background and circumstances of Company B's involvement, it is unlikely that Company B would have been approved as an Overseas Introducer.

Other instances where JLTSL relied on other JLT Group entities to conduct due diligence on Overseas Introducers

4.82 Besides Company B, there were several other instances where Overseas Introducers had introduced business to other JLT Group entities and those entities had in turn instructed JLTSL to place that business on the London reinsurance market. During the Relevant Period, JLTSL made 357 placements for multiple insured clients or overseas insurers where it had been instructed by another JLT Group entity to do so, as a result of that JLT Group entity being introduced business by an Overseas Introducer. Many of the Overseas Introducers were domiciled in countries which presented a high risk of bribery and corruption, according to Transparency International's Corruption Perception Index. The total premium paid across all of these placements was £30,149,134 with JLTSL earning £3,438,745 in commission.

4.83 JLTSL did not consider or approve the onboarding or renewal of the relationships with these Overseas Introducers. As was the case with Company B, JLTSL relied wholly on other JLT Group entities and the Financial Crime Team to approve these relationships.

Business introduced by Company B and commission shared during the initial 12 months

4.84 Prior to JLT Re Colombia initiating JLT Group's third party due diligence process to onboard Company B as an Overseas Introducer in May 2014, JLTSL was indirectly instructed, via JLT Re Colombia, to place eight of Company A's policies, earning US\$1,917,400 in commission. JLT Re Colombia and Company B earned US\$309,785 and US\$879,616 respectively in commission from these placements.

4.85 Between 19 May 2014 and 18 May 2015 (when JLT Group's approval was set to expire), as a result of Company B's introduction JLTSL was instructed by Company A, via JLT Re Colombia, to place 39 policies in the London reinsurance market. JLTSL earned £1,258,151 in commission from these placements. JLT Re Colombia and Company B earned US\$1,824,534 and US\$5,725,727 respectively in commission from these placements.

4.86 As stated in paragraph 4.49 above, JLTSL had already agreed on 30 April 2014 to pay US\$500,000 to Company B as a "*good faith*" payment in advance of the US\$1.8 million commission JLTSL had also agreed to pay Company B from JLTSL's placement of the 2013/2014 aviation reinsurance. A JLTSL senior manager authorised the payment of US\$500,000 to JLT Re Colombia on 20 May 2014. As explained in paragraphs 4.68 to 4.71 above, there is no evidence that the Financial Crime Team was aware of the existence of this agreement when approving the relationship with Company B.

4.87 However, JLT Re Colombia did not pay these funds to Company B. On 21 May 2014, the following day, JLT Re Colombia transferred US\$500,000 to the bank account of a company incorporated in Florida which was connected with Company B, of which JLTSL had no knowledge or information. As set out at paragraph 4.70(5) of this Notice, the Financial Crime Team had in any event failed to verify Company B's bank account number. Although the Financial Crime Team did obtain

confirmation from Company B's bank that Company B held an account with it, the confirmation did not state Company B's account number.

- 4.88 In addition, during this period, JLT Re Colombia paid a further US\$4,430,746.06 to the accounts of the Florida company and another company incorporated in Panama which was also connected with Company B. None of these funds were paid to Company B.

Gifts and entertainment policies of JLT Group and JLTSL, and unauthorised entertainment of third parties

- 4.89 Following Company B's approval as an Overseas Introducer by JLT Group in May 2014, JLTSL employees continued to interact directly with both Company B and Company A, including paying for individuals from Company B, Company A and their families to attend a number of events. As set out below, these events included the 2014 and 2015 Wimbledon Championships and the 2015 Monaco Grand Prix. Over the course of a 10 month period, JLTSL spent nearly US\$200,000 on entertaining individuals from Company A, Company B and their families.

JLTSL's 2014 Gifts and Entertainment Policy

- 4.90 In 2014, JLTSL's Gifts and Entertainment Policy required every JLTSL employee to declare any benefit, monetary remuneration, gifts or entertainment that they intended to receive from, or give to, clients and third parties (including Overseas Introducers) with a value in excess of £250. A "report" of all gifts and forms of entertainment of any nature given or received in excess of £250 was maintained centrally within JLT Group's expense management system. It was the responsibility of each JLTSL employee to ensure that all forms of benefits, gifts, and entertainment in excess of £250 incurred were entered onto this system so they could be presented to the employee's line manager for approval. The report was to be monitored by the Chief Financial Officer ("CFO") and signed off by the JLTSL Chief Executive Officer, Chairman, CFO or Chief Operating Officer quarterly, reported at JLTSL Board and JLTSL ARC meetings and was to be subject to review by the Group Internal Audit Team.

2014 Wimbledon Championships

- 4.91 On 4 and 6 July 2014, JLTSL and JLT Re Colombia employees entertained a senior manager of Company A (a foreign public official) and his wife, along with representatives of Company B, at the Wimbledon Men's Semi-Final and Final events. The hospitality cost £67,200 and included food and drink, Centre Court tickets, and a meet and greet with a former Wimbledon champion. On 10 June 2014, a JLTSL employee asked JLT Re Colombia to request that Company B pay the vendor of the 2014 Wimbledon event for the cost of the hospitality planned for 4 and 6 July 2014.
- 4.92 However, around the same time, JLT Re Colombia subsequently sought JLTSL's agreement to increase its share of commission by US\$110,000 on a particular transaction. Despite there being no adequate rationale for this, JLTSL agreed to the commission being increased and transferred this amount to JLT Re Colombia on 25 July 2014. However, JLT Re Colombia had already transferred US\$110,000 to the Florida company associated with Company B on 16 June 2014, the day before Company B had been asked to pay for the Wimbledon event. The Authority notes that the cost of the event in US dollars was approximately US\$110,000 at the time.
- 4.93 The US\$110,000 expense was not declared on JLT Group's expense management system for approval as was required by JLTSL's 2014 Gifts and Entertainment Policy. Instead, a JLTSL employee reimbursed Company B for this cost by designating it as increased commission in US dollars equivalent to the value of the US\$110,000 expenditure Company B had incurred.
- 4.94 Had the JLTSL employee declared the US\$110,000 reimbursement to Company B for the cost of the 2014 Wimbledon event and sought prior approval for this expense, it is unlikely this would have been approved. By reimbursing the cost of this entertainment to Company B as increased commission, the JLTSL employee was able to circumvent JLTSL's 2014 Gifts and Entertainment Policy.

JLT Group's Anti-Bribery and Corruption Policy

- 4.95 In December 2014, JLT Group's Anti-Bribery and Corruption Policy came into effect (replacing its prior Anti-Bribery and Corruption Policy), which all JLT employees worldwide (including JLTSL employees) were required to adhere to. The policy stated that expenses for gifts and entertainment given or received could be incurred up to the value of £250 without prior approval. For expenses over £250, prior approval was required to be given by specified senior managers

at JLTSL who were required to assess the appropriateness of the expense before authorising it. Their assessment included, but was not limited to, an assessment of the attendees, previous gifts and entertainment offered, the involvement of the beneficiary in any procurement process and the industry and jurisdictional risks associated with the beneficiary. These expenses had to be recorded within JLT Group's expense management system.

- 4.96 Due to the higher risk of bribery and corruption when dealing with PEPs and/or foreign public officials, JLT Group's Anti-Bribery and Corruption Policy also stated that gifts and hospitality given to, or received from, such individuals would not ordinarily be approved. In addition, it stated that other than in exceptional circumstances, the spouses, partners, and other family members of JLT Group staff or those of external beneficiaries may not be present at, or benefit from, corporate hospitality, entertainment, or gifts. However, where a request for attendance of family members, PEPs or foreign public officials was made, employees were required to provide the Financial Crime Team with full details of the proposed attendees and the reasons as to why their attendance was appropriate or required.

2015 Wimbledon Championships

- 4.97 On 12 July 2015, JLTSL and JLT Re Colombia employees entertained another senior manager of Company A (a foreign public official), representatives of Company B, and their families at the 2015 Wimbledon Men's Final event. The entertainment cost £48,000 in total. In March 2015, a JLTSL employee, with the assistance of JLT Re Colombia, asked for Company B to pay for these Wimbledon tickets in the same way as the 2014 Wimbledon tickets. Company B arranged for the vendor of the 2015 Wimbledon event to be paid US\$72,000 (approximately equivalent to £48,000) from a Panamanian bank account of a company associated with Company B on 25 March 2015. The same day the JLT Re Colombia and JLTSL employees agreed to increase Company B's share of commission by US\$72,000. It was also agreed that JLTSL would transfer US\$72,000 to JLT Re Colombia so it could pay this amount to Company B. JLTSL transferred US\$72,000 to JLT Re Colombia as part of a larger payment on 10 April 2015 and JLT Re Colombia transferred this amount (again as part of a larger payment) to a Swiss bank account owned by the same company associated with Company B on 15 May 2015.

4.98 This expense was not declared by the JLTSL employee on JLT Group's expense management system for prior approval by senior personnel of JLTSL, as required by JLT Group's Anti-Bribery and Corruption Policy. Had the JLTSL employee declared the US\$72,000 reimbursement to Company B for the cost of the 2015 Wimbledon tickets and sought prior approval for this expense, it is unlikely this would have been pre-approved. By reimbursing Company B for the cost of this entertainment as increased commission, the JLTSL and JLT Re Colombia employees were able to circumvent JLT Group's Anti-Bribery and Corruption Policy.

2015 Monaco Grand Prix and other entertainment provided

4.99 Between 21 and 27 May 2015, two senior JLTSL employees entertained representatives of Company B at the Monaco Grand Prix. The same senior JLTSL employees also entertained the same Company B individuals, as well as one of Company A's senior managers, at various restaurants before, during and after this event. The total cost of the entertainment amounted to US\$14,072. On this occasion, the JLTSL senior employees declared the entertainment expenses for this trip and gained the necessary approval from JLTSL senior management.

4.100 A JLTSL employee also declared and gained the necessary approval to spend £3,137.38 on taking senior managers of Company A and representatives of Company B to seven football matches at Chelsea and Tottenham Hotspur.

4.101 In total, JLTSL spent at least US\$215,000 on entertaining individuals from Company A, Company B, and their families during the Relevant Period. However, JLTSL employees only recorded £19,267.27 (which included some of the US\$14,072 spent at the Monaco Grand Prix event) on JLT Group's expense management system.

Updates and improvements to JLT Group's third party due diligence and approval process

4.102 Between March 2015 and May 2016, the risk assessment form that was to be completed as part of JLT Group's third party due diligence and approval process was updated to make it easier to understand how the relationship with an Overseas Introducer worked and the risks involved, including giving more

prominence to the estimated annual payment to the Overseas Introducer and requiring more information to be set out in the Business Case form.

- 4.103 In addition, a new risk assessment scoring system was developed to replace the Alarm Bells scoring process, so that the assessment of the risk presented by an Overseas Introducer was considered and scored against a wider range of risk factors, not just the ten "Alarm Bell" risk factors. The additional risk factors assessed and scored included the Overseas Introducer's company details (its legal status, whether it is regulated or Stock-Exchange Listed, whether it has a website), screening results (whether PEPs have been identified for the Overseas Introducer or insured client, whether any adverse media has been identified for them), third party relationships (whether the Overseas Introducer has any links to the insured client), payment details (is the commission split larger than normal, the payment amount, bank account validation), country risk (Corruption Perception Index scores of the Overseas Introducer and insured client) and the industry risk of the insured client.
- 4.104 In December 2016, JLT Group introduced a Third Party Approvals and Payments policy, replacing the KYC Policy, to set out JLT Group's approach and minimum requirements for the management of third parties. This policy applied to all JLT employees group-wide, including JLTSL as a wholly owned subsidiary of JLT Group. In particular, this policy set out the key individual roles and responsibilities in the management of risks relating to third parties and third party payments so that it was clear to employees what was required of them.
- 4.105 For example, the policy set out the role and responsibility of brokers and account handlers within each JLT Group entity, including the requirement for them to complete the Business Case form and ensure that the third party completed and signed the Introducer Questionnaire. The policy also stated that brokers and account handlers must not do business with, or make payments to, third parties prior to approval by JLT Group. In addition, the policy set out the role and responsibility of the Financial Crime Team, including the requirement for them to perform due diligence on, and coordinate the approval of, third parties.
- 4.106 On 12 January 2017, JLT Group replaced the procedures from the KYC Policy with the Third Party Operating Manual. Whilst the Third Party Operating Manual replaced the procedures from the KYC Policy, the third party due diligence process remained broadly the same, even though the five tier process was removed and

the "Alarm Bell" risk scoring system was no longer referenced. A risk assessment scoring system remained in place to assess the risk of an Overseas Introducer (formally adopting the updated risk assessment form and newly developed risk assessment scoring system), which determined the level of sign-off required to authorise an Overseas Introducer. In addition, relationships with Overseas Introducers were still required to be reviewed annually (with the information required at renewal similar to that requested at the initial onboarding of the Overseas Introducer), and the third party due diligence and approval process remained the responsibility of the Financial Crime Team.

- 4.107 Although the Third Party Operating Manual came into force on 12 January 2017, the Financial Crime Team followed the due diligence and approval process it set out when it conducted the refresh of due diligence on Company B.
- 4.108 All of the changes to the JLT Group third party due diligence and approval process applied to JLTSL.

Refresh of due diligence on Company B

- 4.109 The authorisation of an Overseas Introducer like Company B expired 12 months after its previous approval and the expiry date reflected the period of validity for the due diligence performed by the Financial Crime Team. Where a JLT Group entity required the continued approval of an Overseas Introducer, the Financial Crime Team informed the JLT Group entity of the information required for renewal. The information required at renewal was similar to that requested at initial approval and included the re-submission of the Business Case form and Introducer Questionnaire, as well as the re-screening of the parties involved to see if there was any adverse information or media. The renewal of the Overseas Introducer was subject to refreshed satisfactory due diligence being completed by the Financial Crime Team and the approval process was the same as that required for the original onboarding of the Overseas Introducer.
- 4.110 Company B's approval as a third party introducer of JLT Group expired on 18 May 2015 (see paragraph 4.76 above). Accordingly, the review and re-approval of Company B ought to have been concluded by 19 May 2015. However, a review of the relationship with Company B was not initiated until 16 September 2015 and it was not approved as a third party introducer again until 18 May 2016 (twelve months after its previous authorisation had expired). In the period between 19

May 2015 to 18 May 2016, JLT Re Colombia and JLTSL ought not to have accepted business from, nor made payments to, Company B. Nevertheless, during this period:

(1) JLTSL placed 15 policies for Company A, earning £1,373,502 in commission; and

(2) JLT Re Colombia made payments totalling US\$3,500,149.97 in respect of business introduced by Company B. However, all of these payments, like the payments referred to in paragraph 4.87 above, were not made to Company B but were instead paid to bank accounts owned by entities in Panama and Florida associated with Company B.

4.111 The refresh of Company B's due diligence exercise was initiated on 16 September 2015 when JLT Re Colombia submitted a Business Case form and Introducer Questionnaire for Company B to the Financial Crime Team. Despite JLTSL's continued close relationship with both Company A and Company B, JLTSL again took no part in the approval of the renewal of the relationship with Company B. It instead relied upon JLT Re Colombia and the Financial Crime Team to approve the relationship.

Deficiencies in the refresh of due diligence on Company B

4.112 The Business Case form submitted by JLT Re Colombia to the Financial Crime Team for this review contained almost identical information to the information provided in the 2014 Business Case form. As such, the Authority has determined that Business Case still did not contain a "strong reasoning" for why Company B was required to win Company A's business. It also still did not contain a detailed enough explanation of Company B's role and the services it would provide to JLT Group entities including JLTSL, in return for a share of commission:

(1) In response to the question, "*Please provide reasons/business justification for doing business with the introducer*", the Business Case stated that Company B had "*Very strong connections*" with Company A and "*with the largest industrial Groups*" in the same country, that JLT will not place reinsurance via Company B, and that Company B "*will only act as Introducer of potential new reinsurance business for JLT*".

(2) In response to the question, *"Please provide full details of the activities the introducer proposes to undertake"*, the Business Case simply stated that one of Company B's principals *"has been an Insurance Broker (life-high net worth individuals) for more than fifteen (15) years to high net worth families"* in the same country as Company A, which *"...has given him very strong influential (sic) connections"* in the same country. This answer failed to explain what Company B would do to help JLT Re Colombia win or retain business, and how it would earn its share of the commission.

4.113 The Financial Crime Team sought greater detail on the information provided in the Business Case because it was *"one of the highest risk relationships that [it had] seen"*. The team challenged JLT Re Colombia about the activities Company B was going to undertake, including how Company B was going to get access to insured clients, how Company B originally won the business from Company A and Company B's connections with Company A.

4.114 Having carried out its inquiries, the Financial Crime Team made the following comments on Company B's risk assessment form:

(1) in response to the question *"Is commission split larger than normal"*, the Financial Crime Team noted *"Yes"*, explaining that Company B was *"receiving 40% of Commission for not performing any substantial services to any party in the chain"*;

(2) in response to the question of whether Company B's *"Commission [was] commensurate with services"*, the Financial Crime Team stated *"Questionable"*, explaining that Company B does *"not perform any direct services to JLT. However, they are actively involved in assisting [Company A] to arrange reinsurance"*.

4.115 The Financial Crime Team also noted on the risk assessment form that they had not been able to verify the address that Company B had provided in its Introducer Questionnaire. However, they failed to note the following three matters on the form:

(1) The search conducted by the Financial Crime Team on Panama's company register identified entirely different directors and shareholders to those listed in the Introducer Questionnaire;

- (2) In addition, the same search conducted by the Financial Crime Team on Panama's company register identified a different incorporation date for Company B to the one included in the Introducer Questionnaire; and
- (3) The Financial Crime Team discovered commission payments to Company B which did not correspond with what they had approved previously, and identified insured clients they were not told about, which led to Company B being paid around £400,000.
- 4.116 This meant that these discrepancies were not considered by the approvers of Company B's risk assessment before they signed-off and re-approved it as an Overseas Introducer. Notwithstanding the clear reservations about Company B's role expressed by the Financial Crime Team on the risk assessment form and the fact that this was "*one of the highest risk relationships that [it had] seen*", Company B was re-approved as an Overseas Introducer on 18 May 2016, subject to the same conditions as in May 2014. The Financial Crime Team however again failed to seek the appropriate authorisation required by the Third Party Operating Manual as only one member of JLT Re Colombia's senior management signed the form rather than two.
- 4.117 Following Company B's re-approval on 18 May 2016, JLTSL was instructed by Company A, via JLT Re Colombia, to place a further 28 policies in the London reinsurance market, earning £1,663,107 in commission from these placements. JLT Re Colombia earned US\$1,507,325 in commission from these placements.
- 4.118 As explained in paragraph 4.111, JLTSL took no part in the refresh of due diligence on Company B. As JLTSL's approval was not required, the KYC DSC was not notified when JLT Re Colombia's relationship with Company B was being considered for renewal. Consequently, JLTSL missed another opportunity to evaluate the bribery and corruption risk posed to JLTSL and the continued appropriateness of the engagement.
- 4.119 The Authority has found no evidence that JLTSL employees considered notifying the Financial Crime Team or the KYC DSC of materially relevant information during the refresh of Company B's due diligence exercise. In particular, there is no evidence that JLTSL employees disclosed spending nearly US\$200,000 on entertaining individuals from Company A, Company B and their families. This information presented issues which raised concerns about the risks associated with Company B and it was important that the Financial Crime Team was given

the opportunity to assess the significance of this information and take the necessary action. Had the Financial Crime Team or the KYC DSC been in possession of this information, it is unlikely that Company B would have been re-approved in 2016.

Monitoring and oversight of Company B

JLTSL's role

- 4.120 As part of the group wide three lines of defence control framework, JLTSL did not directly monitor or oversee the activities of Company B but relied on JLT Re Colombia and JLT Group to do so.
- 4.121 Where JLTSL had entered into a direct relationship with a third party introducer, and the relationship had been approved, JLTSL's Business Controls team was responsible for the day-to-day monitoring of payments made by JLTSL to third party introducers, including ensuring that payments were made in accordance with the terms of the approval. JLTSL's Quality Assurance team offered an additional level of monitoring through its review of placement files after the event, to ensure that all placements were made in accordance with JLT Group policies and procedures. However, neither the Business Controls team nor the Quality Assurance team were involved in the monitoring of Company B.
- 4.122 Both the JLTSL Board and the JLTSL ARC (a subcommittee of JLTSL's Board) had oversight over JLTSL's anti-bribery and corruption risks and controls. During the Relevant Period, the JLTSL Board and ARC received numerous reports and pieces of management information on third party introducers. These included, but were not limited to, the following: a list of all third party introducer accounts opened and all payments made to third party introducers in a given period; a summary report of payments to high risk and low risk jurisdictions; and a review of the third party payment process. However, the minutes from both the JLTSL Board meetings and the ARC meetings during the Relevant Period do not show that either the JLTSL Board or the ARC considered the relationship with Company B.
- 4.123 JLTSL was not required under the group wide control framework to monitor its relationship with Company B because it did not directly engage or make any payments to Company B. JLTSL instead relied on:

- (1) JLT Re Colombia having appropriate controls in place to ensure that payments to Company B were only made to bank accounts approved during Company B's risk assessment and due diligence process, in accordance with JLT Group's third party due diligence process; and
- (2) the Financial Crime Team and JLT Group Internal Audit, as the second and third lines of defence respectively, to monitor JLT Re Colombia's compliance regarding payments.

JLT Re Colombia

- 4.124 As a JLT Group entity, JLT Re Colombia was required by JLT Group's third party due diligence process to have appropriate controls in place to ensure that payments to Company B were only made to bank accounts approved during Company B's risk assessment and due diligence process. This included the monitoring of payments to Company B as the first line of defence. However, no such monitoring occurred in the case of Company B which, as explained in more detail in paragraph 4.130 below, enabled JLT Re Colombia to circumvent these controls and arrange for payments to be made to bank accounts of entities associated with Company B that had not been authorised for payment during the due diligence process.
- 4.125 In addition, there is no evidence that JLT Re Colombia's ARC discussed Company B between 1 May 2014 when Company B was initially onboarded and 31 May 2016 when the due diligence refresh took place.

JLT Group's role

- 4.126 From 2015 onwards, JLT group entities, including JLTSL, were required to send to the Financial Crime Team details of all payments made to Overseas Introducers, including confirmation that the Overseas Introducer was approved, the contractual arrangement, the amount paid, the payment method and the clients to which the payment related. The Financial Crime Team did not begin to review payments made by JLT entities in Latin America, including JLT Re Colombia, to Overseas Introducers until 17 March 2016. However, it was not until early 2017 that the Financial Crime Team began checking the bank account details of each individual payment to ensure they were only made to the correct bank account which had been authorised during the due diligence process.

4.127 Prior to 2017, JLT Group relied on JLT Group entities to ensure they were making payments to approved bank accounts and JLT Group Internal Audit to review the JLT Group entity's payment controls.

4.128 Although the Financial Crime Team monitored payments to introducers from 2015 onwards, there was no effective monitoring of payment controls by the Financial Crime Team until early 2017 because prior to that date it failed to provide any assurance that the payments made by JLT group entities to Overseas Introducers had been paid to the approved bank account.

4.129 During the Relevant Period:

(1) JLTSL made 87 placements on behalf of Company A for seven different insured clients, as a result of Company B's introduction, earning £4,807,938.63 in commission (from total gross premiums of £93,367,077.47); and

(2) JLTSL paid a total of US\$12,393,007.71 to JLT Re Colombia as shared commission.

4.130 However, JLT Re Colombia did not pay Company B's share of the commission directly to Company B. Instead, at Company B's request JLT Re Colombia made payments to five bank accounts based in Panama, Switzerland, and the United States, owned by four different entities associated with Company B. Between 21 May 2014 and 15 February 2017, JLT Re Colombia paid US\$10,872,527.94 to these unauthorised bank accounts. JLT Re Colombia's finance and compliance team failed to prevent this.

Discovery and reporting of the Unauthorised Payments

4.131 In October 2016, JLT Group Internal Audit conducted a regular audit of JLT Re Colombia and identified instances of non-compliance with the conditions established for the use of Company B, including undisclosed entertainment expenses for Company A and Company B.

4.132 The Financial Crime Team subsequently visited JLT Re Colombia's offices in February 2017. During the visit, the Financial Crime Team identified that the

commission payments had not been made to Company B but instead made to bank accounts that had not been approved during the due diligence process.

- 4.133 Immediately following this discovery, the Financial Crime Team escalated its findings to JLT Group Risk and Compliance, commenced an internal investigation, conducted on-site anti-bribery and corruption awareness training to JLT Re Colombia staff and stopped any further payments (amounting to over US\$3 million) being made to Company B.
- 4.134 JLT Group notified the Authority of its discovery in June 2017 and has since cooperated fully with the Authority's own investigation.
- 4.135 In December 2017, through its internal review, JLT Group identified an additional issue concerning the level of gifts and entertainment provided to individuals from Company A, Company B and to their respective families. These individuals had been entertained at nine sporting and other events over a period of three years, with the annual expenditure averaging approximately US\$100,000. Additionally, the internal review revealed that some of the expenditure on gifts and entertainment was paid by Company B and then reimbursed via JLTSL and JLT Re Colombia through commission payments, in breach of the JLT Group internal policy on gifts and entertaining which applied to JLTSL. JLT Group shared its findings from the internal review with the Authority together with material.
- 4.136 Upon discovering the above issues, JLT Group and JLTSL undertook a number of risk mitigation and control enhancement actions:
- (1) JLTSL introduced an additional control requiring any overseas JLT Group entities passing business to JLTSL to confirm whether the business had been sourced via a third party introducer or had come directly to the JLT Group entity. If a third party introducer was used, JLTSL sought confirmation from the Financial Crime Team that it recommended the approval of the third party introducer, which was then presented to JLTSL's governance committee to make a final decision on whether the business was acceptable;
 - (2) from March 2017, the Financial Crime Team enhanced its review of payments to third party introducers by checking the bank account details of each individual payment;

- (3) in April 2017, acknowledging the control failures within the regional ARCs across JLT Group, senior executives of JLT Group asked management teams, including those in JLTSL, to ensure their businesses adhered to JLT Group's Third Party Payments Policy and that no third party payments were being made to any other company or bank account other than those approved through JLT Group's third party approvals and payments process;
- (4) from July 2017, reviews were carried out in JLTSL and JLT Re Colombia to ascertain what commissions were generated and how the funds were transferred;
- (5) in January 2018, JLT Group Internal Audit undertook a root cause analysis in respect of the payments made to unapproved bank accounts owned by entities associated with Company B;
- (6) in early 2018, a new JLT Group Head of Financial Crime was hired, whose role included enhancing the governance framework and anti-bribery and corruption systems and controls;
- (7) JLT Group created a new Third Party Payments Sub-Committee for JLT Latin America in March 2018 as a further governance measure in the region;
- (8) in April 2018, JLT Re Colombia withdrew from any government business in the country in question that involved introducers, and in July 2018, JLT Re Colombia withdrew from any engagement on government business in that country entirely. JLTSL subsequently adopted this decision;
- (9) in May 2018, the Financial Crime Team commenced a group-wide bribery and corruption risk assessment to assess the risks faced by JLT Group, including JLTSL, and possible mitigation of those risks;
- (10) in 2018, the Financial Crime Team developed and delivered targeted anti-bribery and corruption training, focusing on high-risk territories starting with JLT Latin America. This involved conducting approximately 60 meetings with over 120 key staff, and carrying out 40 bespoke training sessions to over 500 staff;
- (11) in late 2018, JLT Group issued a new third party approvals and payments policy, which applied to all group entities including JLTSL; and

- (12) a review of JLT Group's Gifts and Entertainment Policy and Anti-Bribery and Corruption Policy was completed with new policies issued in late 2018. These policies again applied to all group entities including JLTSL.

Action taken by authorities in the United States and the country of Company A

- 4.137 JLTSL's control failings gave rise to an unacceptable risk that a share of the commission JLTSL made from placing this business, which it paid to the other JLT Group entities who then paid a portion of their share to the Overseas Introducers, could be used for corrupt purposes, including paying bribes to persons connected with the insured clients and/or public officials. This risk of bribery and corruption materialised in JLTSL's dealings with Company B. From the commission paid by JLT Re Colombia to Company B, Company B paid approximately US\$3,157,000 in bribes to government officials employed by Company A. The payments were made in order to influence these government officials in their official capacity and to secure an improper advantage in order to assist Company B in obtaining and retaining business from Company A for JLT Group (including JLTSL and JLT Re Colombia) and Company B.
- 4.138 A number of individuals have been convicted in the United States of conspiracy to launder money in connection with these payments.
- 4.139 Company A is in the process of being liquidated by Presidential Decree on account of its corrupt practices.

5 FAILINGS

- 5.1 The regulatory provisions relevant to this Notice are referred to in Annex A.
- 5.2 Notwithstanding that JLTSL was required to follow JLT Group processes for onboarding Overseas Introducers, it failed to ensure that those processes were appropriate for all of its dealings with Overseas Introducers.
- 5.3 In particular, JLTSL failed to consider whether additional safeguards or approvals should be incorporated into JLTSL's third party processes with respect to Overseas Introducers engaged by another JLT Group entity where the introduced business

was subsequently placed by JLTSL in the London market. In particular, despite the heightened bribery and corruption risk posed by Overseas Introducers to JLTSL, the processes did not require the approval of the KYC DSC in addition to the approval of the JLT Group entity that was proposing to engage the Overseas Introducer and the Financial Crime Team.

5.4 As a result, JLTSL did not:

(1) ensure that information, including potential red flags, held by JLTSL employees who were either involved in negotiating the relationship with the Overseas Introducer or placing the business in the London market was brought to the attention of the KYC DSC or the Financial Crime Team;

(2) ensure that the other JLT Group entity disclosed all material information about an Overseas Introducer to the Financial Crime Team for review, consideration, and action as necessary; and

(3) consider whether additional monitoring and oversight of Overseas Introducers, in accordance with JLTSL's processes, was appropriate.

5.5 As a result of these findings, the Authority considers that JLTSL breached Principle 3 by failing to take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.

6 SANCTION

6.1 For the reasons set out in this Notice, the Authority has found that JLTSL breached Principle 3. The Authority has considered the disciplinary and other options available to it and has concluded that a financial penalty is the appropriate sanction in the circumstances of this case.

6.2 The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5A sets out the details of the five-step framework that applies in respect of financial penalties imposed on firms.

Step 1: disgorgement

- 6.3 Pursuant to DEPP 6.5A.1G, at Step 1 the Authority seeks to deprive a firm of the financial benefit derived directly from the breach where it is practicable to quantify this.
- 6.4 The financial benefit arising directly from JLTSL's breach of Principle 3 has already been disgorged from JLTSL by the US Department of Justice.
- 6.5 Step 1 is therefore £0.

Step 2: the seriousness of the breach

- 6.6 Pursuant to DEPP 6.5A.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. Where the amount of revenue generated by a firm from a particular product line or business area is indicative of the harm or potential harm that its breach may cause, that figure will be based on a percentage of the firm's revenue. A firm's relevant revenue will be the revenue derived by the firm during the period of the breach from the products or business areas to which the breach relates.
- 6.7 The Authority considers that the revenue generated by JLTSL is indicative of the harm or potential harm caused by the breach. The Authority has therefore determined a figure based on a percentage of JLTSL's relevant revenue. JLTSL's revenue from this business area is the commission it received for all business generated during the Relevant Period where an Overseas Introducer had introduced business to another JLT Group entity and that entity had, in turn, instructed JLTSL to place that business on the London reinsurance market. This includes the commission and fees JLTSL retained, the commission received by JLTSL and passed to other JLT Group entities, and the commission subsequently paid by JLT Group entities to Overseas Introducers. The Authority considers JLTSL's relevant revenue to be £27,801,463.
- 6.8 In deciding on the percentage of the relevant revenue that forms the basis of the step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 20%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level. For penalties imposed on firms there are the following five levels:

- (1) Level 1 – 0%
- (2) Level 2 – 5%
- (3) Level 3 – 10%
- (4) Level 4 – 15%
- (5) Level 5 – 20%

6.9 In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly.

6.10 DEPP 6.5A.2G(11) lists factors likely to be considered 'level 4 or 5 factors'. Of these, the Authority considers the following factors to be relevant:

- (1) the breach revealed serious weaknesses in JLTSL's systems and controls in relation to its dealings with Overseas Introdurers, particularly in circumstances where an Overseas Introdurer was contracting with another JLT Group entity, who in turn instructed JLTSL, as an authorised firm, to place risk on the London reinsurance market;
- (2) financial crime appears to have been facilitated by the breach; and
- (3) the breach created a significant risk that financial crime, particularly bribery and corruption, would be facilitated, occasioned, or otherwise occur.

6.11 DEPP 6.5A.2G(12) lists factors likely to be considered 'level 1, 2 or 3 factors'. Of these, the Authority considers the following factors to be relevant:

- (1) there was no or little loss or risk of loss to consumers, investors, or other market users individually and in general.

6.12 The Authority also considers that the following factors are relevant under DEPP 6.5A.2G:

Factors relating to the impact of the breach

- (1) the level of benefit gained by JLTSL during the Relevant Period was £8,515,292; and

(2) confidence in the London reinsurance market was put at risk by the breach.

Factors relating to the nature of the breach

(1) the nature of the rules, requirements or provisions breached.

6.13 Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 4 and so the Step 2 figure is 15% of £27,801,463.

6.14 Step 2 is therefore £4,170,219.45.

Step 3: mitigating and aggravating factors

6.15 Pursuant to DEPP 6.5A.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2 to take into account factors which aggravate or mitigate the breach.

6.16 The Authority considers that the following factors aggravate the breach:

(1) the Authority has previously issued a Final Notice to JLTSL for a Principle 3 breach, namely by failing to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems and controls for countering the risks of bribery and corruption associated with making payments to Overseas Introducers (see paragraphs 4.16 to 4.17 above);

(2) the Authority has published widely and issued guidance to firms on matters relating to reducing financial crime risk, including bribery and corruption risk, when dealing with third parties like Overseas Introducers, both prior to and during the Relevant Period, as set out at paragraph 4.7 above.

6.17 The Authority considers that the following factors mitigate the breach:

(1) JLTSL reported to the Authority in June 2017 its identification of commission payments that had not been made to Company B but instead made to bank accounts that had not been approved during the due diligence process.

(2) JLTSL assisted the Authority's investigation by providing investigators with access to materials from JLT Group's internal investigation, including transcripts of the interviews it conducted with key employees and financial analysis.

(3) JLTSL took remedial steps after the breach was identified to ensure that similar problems could not arise in future, including introducing a control requiring overseas JLT Group entities producing business to confirm if the business has been sourced via a third party introducer (see paragraph 4.136 above).

6.18 The Authority acknowledges JLT Group's disgorgement of \$29,081,951 to the US Department of Justice, which included the financial benefit arising directly from JLTSL's breach of Principle 3.

6.19 Having taken into account these aggravating and mitigating factors, the Authority considers that the Step 2 figure should be increased by 35%.

6.20 Step 3 is therefore £5,629,796.26.

Step 4: adjustment for deterrence

6.21 Pursuant to DEPP 6.5A.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

6.22 The Authority considers that DEPP 6.5A.4G(1)(b) is relevant in this instance and has therefore determined that this is an appropriate case where an adjustment for deterrence is necessary. There have been a series of enforcement outcomes against commercial insurance brokers for failings in their anti-bribery and corruption systems and controls and these have not had a sufficient deterrent effect. Given the nature of the misconduct, it is necessary for the Authority to increase the penalty to achieve credible deterrence.

6.23 Having taken into account the factors outlined at DEPP 6.5A.4G the Authority considers that a multiplier of two should be applied at Step 4.

6.24 Step 4 is therefore £11,259,592.50.

Step 5: settlement discount

- 6.25 Pursuant to DEPP 6.5A.5G, if the Authority and the firm on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty which might otherwise have been payable will be reduced to reflect the stage at which the Authority and the firm reached agreement. The settlement discount does not apply to the disgorgement of any benefit calculated at Step 1.
- 6.26 The Authority and JLTSL reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure.
- 6.27 Step 5 is therefore £7,881,714.76.

Penalty

- 6.28 The Authority hereby imposes a total financial penalty of £7,881,700 (rounded down to the nearest £100) on JLTSL for breaching Principle 3.

7 PROCEDURAL MATTERS

- 7.1 This Notice is given to JLTSL under and in accordance with section 390 of the Act.
- 7.2 The following statutory rights are important.

Decision maker

- 7.3 The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

Manner and time for payment

- 7.4 The financial penalty must be paid in full by JLTSL to the Authority no later than 30 June 2022.

If the financial penalty is not paid

- 7.5 If all or any of the financial penalty is outstanding on 1 July 2022, the Authority may recover the outstanding amount as a debt owed by JLTSL and due to the Authority.

Publicity

- 7.6 Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
- 7.7 The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

- 7.8 For more information concerning this matter generally, contact Andrew Marra (direct line: 020 7066 9072/email: andrew.marra@fca.org.uk) at the Authority.

Lisa Ablett

Interim Head of Department

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. Relevant Statutory Provisions

1.1. The Authority's statutory objectives, set out in section 1B(3) of the Act, include ensuring appropriate levels of consumer protection, ensuring market integrity and promoting effective competition.

1.2. Section 206(1) of the Act provides:

"If the Authority considers that an authorised person has contravened a relevant requirement imposed on the person, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate."

2. Relevant Regulatory Provisions

Principles for Businesses

2.1. The Principles are a general statement of the fundamental obligations of firms under the regulatory system and are set out in the Authority's Handbook. They derive their authority from the Authority's rule-making powers set out in the Act.

2.2. Statement of Principle 3 (management and control) provides that:

"A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems."

Senior Management Arrangements, Systems and Controls ("SYSC")

2.3. SYSC 3.2.6R provides:

"A firm must take reasonable care to establish and maintain effective systems and controls for compliance with applicable requirements and standards under the regulatory system and for countering the risk that the firm might be used to further financial crime."

DEPP

- 2.4. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act.

The Enforcement Guide

- 2.5. The Enforcement Guide sets out the Authority's approach to exercising its main enforcement powers under the Act.
- 2.6. Chapter 7 of the Enforcement Guide sets out the Authority's approach to exercising its power to impose a financial a penalty.