



Bailiwick of Guernsey
Financial Intelligence Unit



Guernsey Financial
Services Commission

Reporting Suspicion Workshop

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Key Topics

- Use of SAR Statistics
- MLRO / MLCO Capability and Capacity
- Policies, Procedures and Controls
 - FIU Update

FATF's expectations for effective SAR reporting



Technical - Legal framework requiring reports to be made promptly to the FIS incl. attempted transactions



Effectiveness - How well do firms detect and report suspicious activity?



Assessed by interviews and evidence – firms' policies & procedures, SAR statistics, authorities' feedback to industry

Slido Question 1

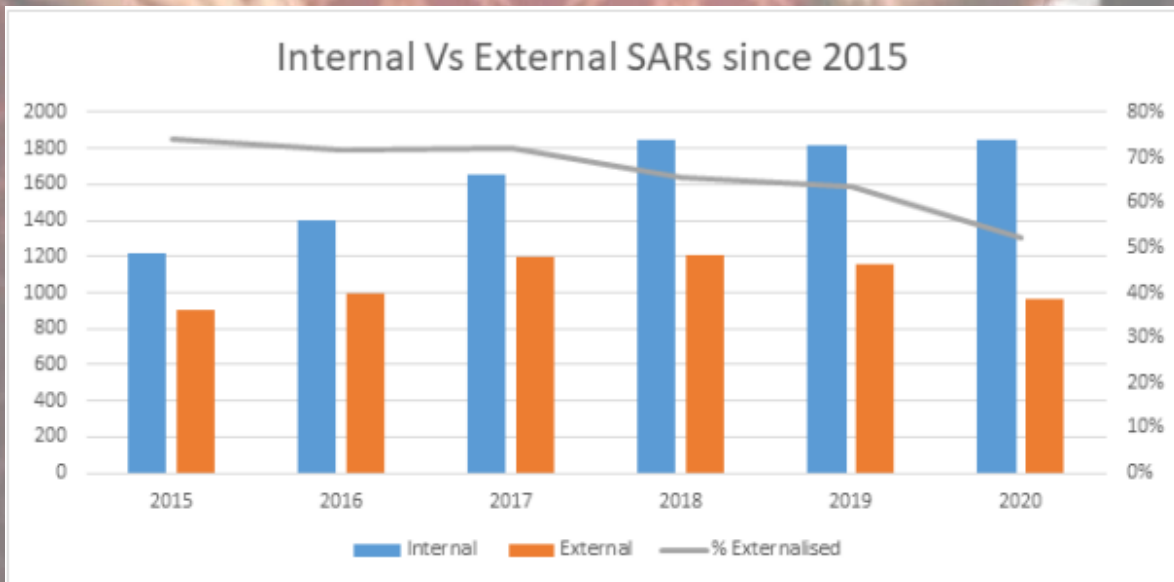
Do you think the Bailiwick's finance sector is making enough suspicious activity reports?

- (a) Yes
- (b) No



Internal and External SARs patterns

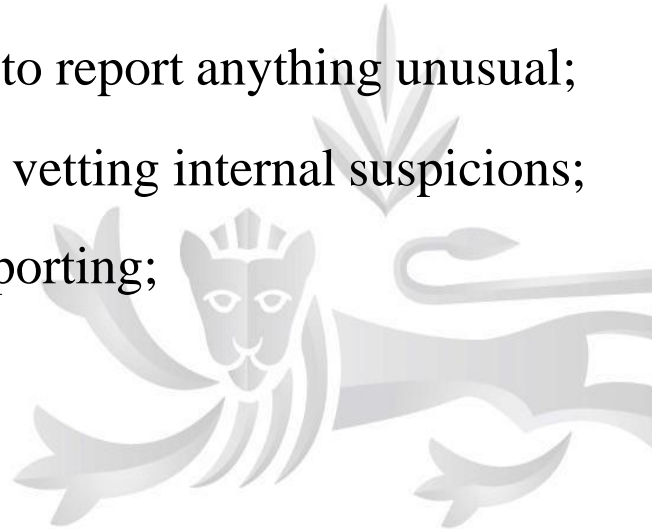
To report, or not to report ... THAT is the question.



Slido Question 2

Why do think the number of internal SARs exceeds the number of externalised SARs in certain sectors?

- (a) Employees are advised to report anything unusual;
- (b) The MLRO is carefully vetting internal suspicions;
- (c) Poor quality internal reporting;
- (d) All of the above



Sector SAR Statistics – 2020 FCRR data

To report, or not to report ... THAT is the question.

Externalisation of SARs



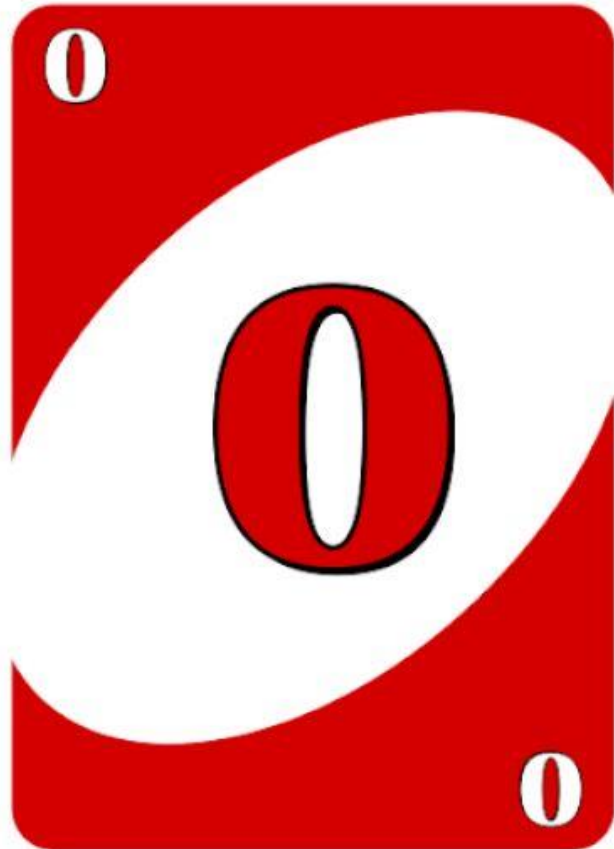
No SAR reports to the FIS

Fund Administrator

- AUM £8.5Bn, 791 clients
- 6% HR, 1.5% PEPs
- 4 internal SARs in 4 years

Fiduciary

- AUM £4Bn, 194 clients
- 23% HR, 13% PEPs
- No internal SARs in 4 years



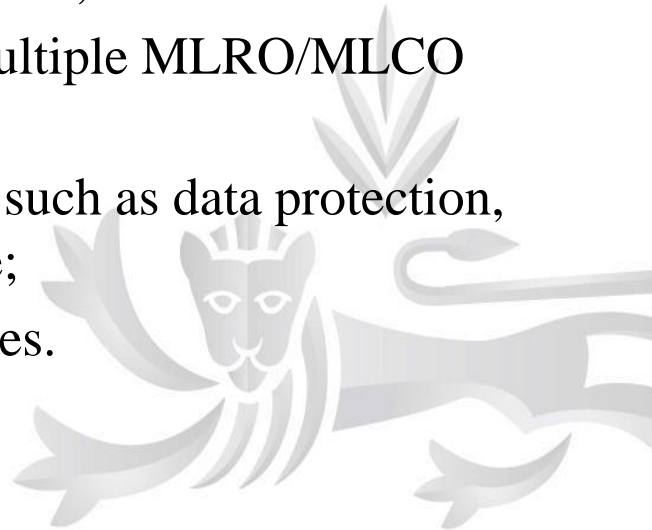
Are you reporting – if not why?



Slido Question 3

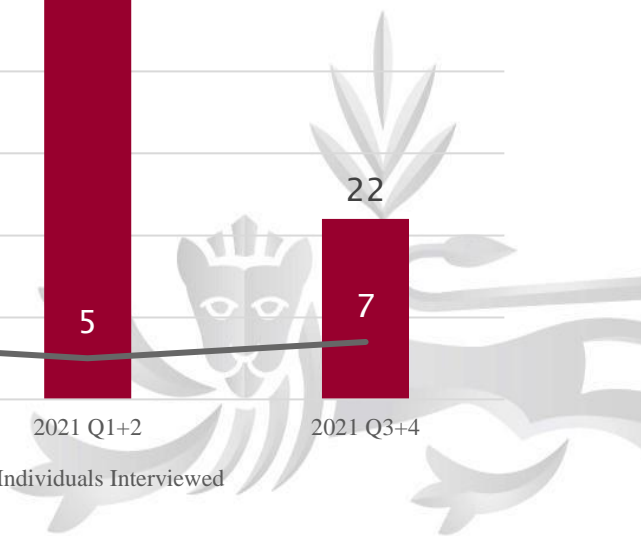
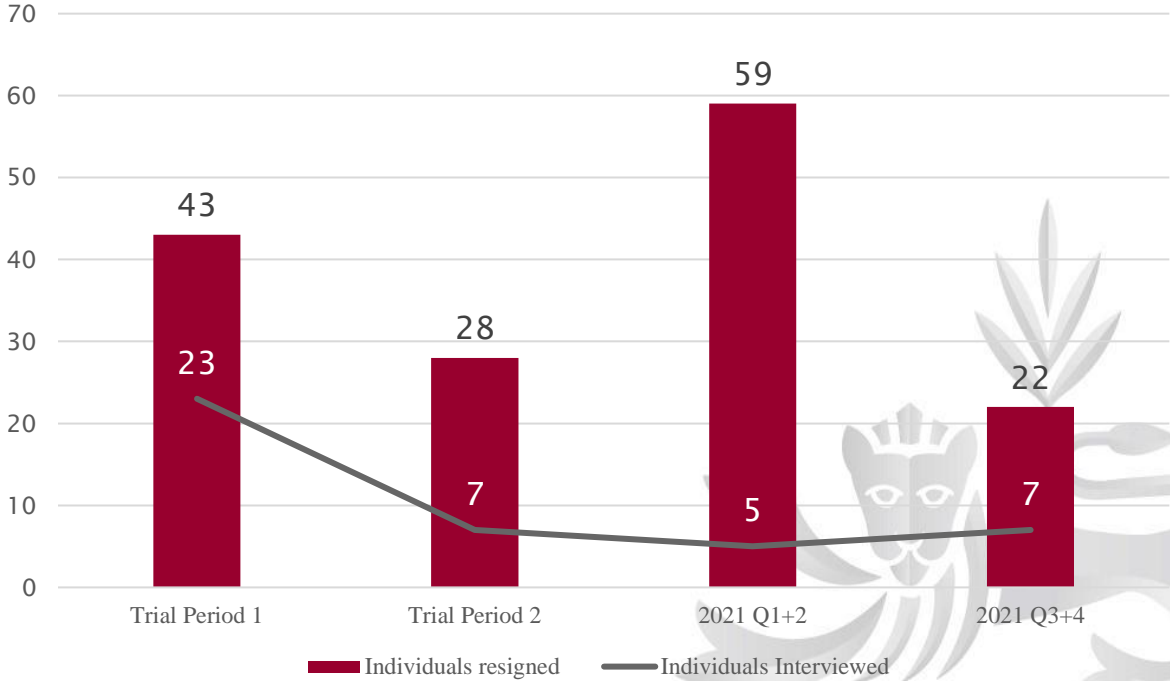
Which of the following do you think is the key concern that keeps an MLRO up at night?

- (a) The business model is high risk;
- (b) The individual is holding multiple MLRO/MLCO appointments;
- (c) They have additional duties such as data protection, CRS, prudential compliance;
- (d) They have client facing duties.



MLRO Exit Interviews

2020-2021 MLRO Interview Stats



Capacity

Approximately three quarters of MLROs and MLCOs interviewed as a part of the Thematic had additional non-AML/CFT related roles and responsibilities

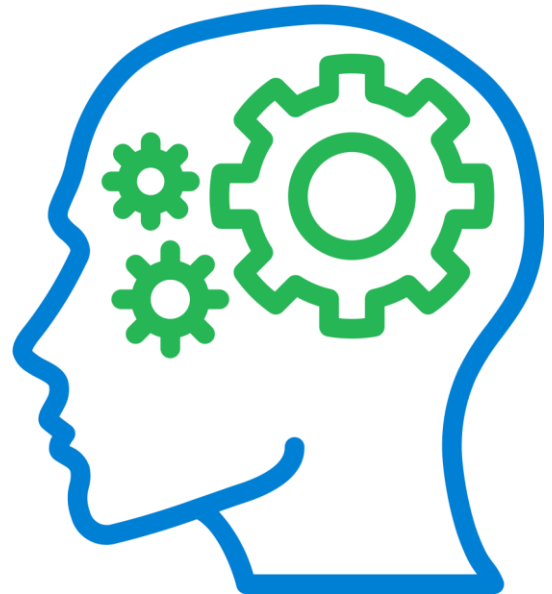


Capability

A pivotal role.

Essential to have the appropriate:

- knowledge,
- skill and experience,
- sufficient resources



Capability and Capacity – Public Statement

Appointed to the role of MLRO and Compliance Officer in 2014 with no previous experience

The individual did not have:

- the time,
- or the experience,
- or the expertise

to fulfil the requirements of the role.

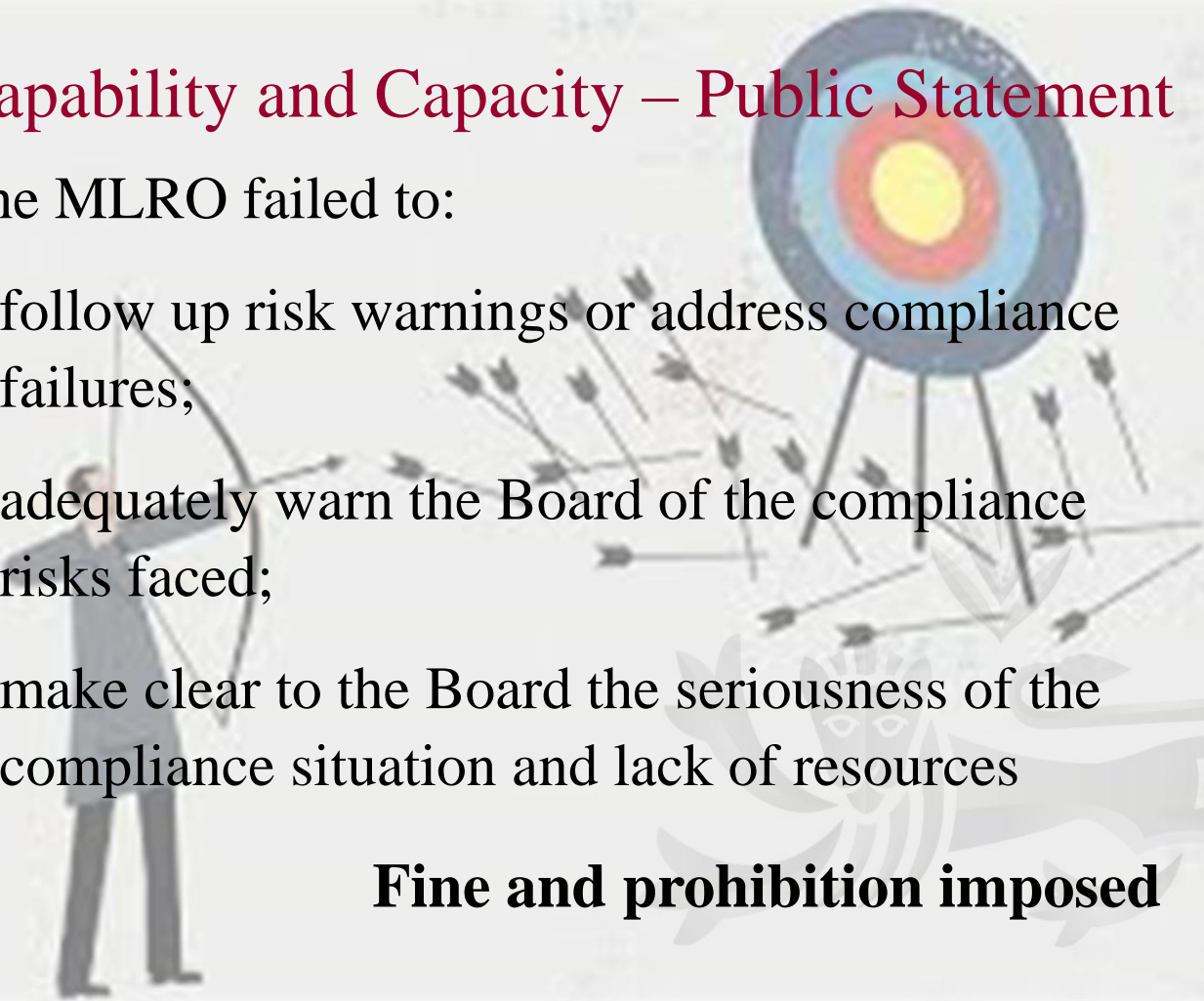


Capability and Capacity – Public Statement

The MLRO failed to:

- follow up risk warnings or address compliance failures;
- adequately warn the Board of the compliance risks faced;
- make clear to the Board the seriousness of the compliance situation and lack of resources

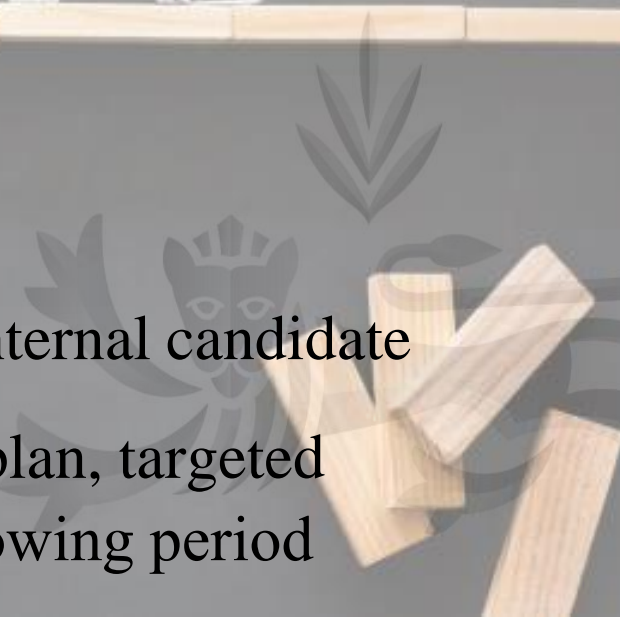
Fine and prohibition imposed



Capabilities and Capacity – Case Study 2



- Identified an appropriate internal candidate
- Implemented a structured plan, targeted training, KPI's and a shadowing period



Who is responsible for SARs?

(1) EVERYONE is responsible for reporting suspicion to their MLRO

(2) MLRO is responsible for reporting suspicion to the FIS

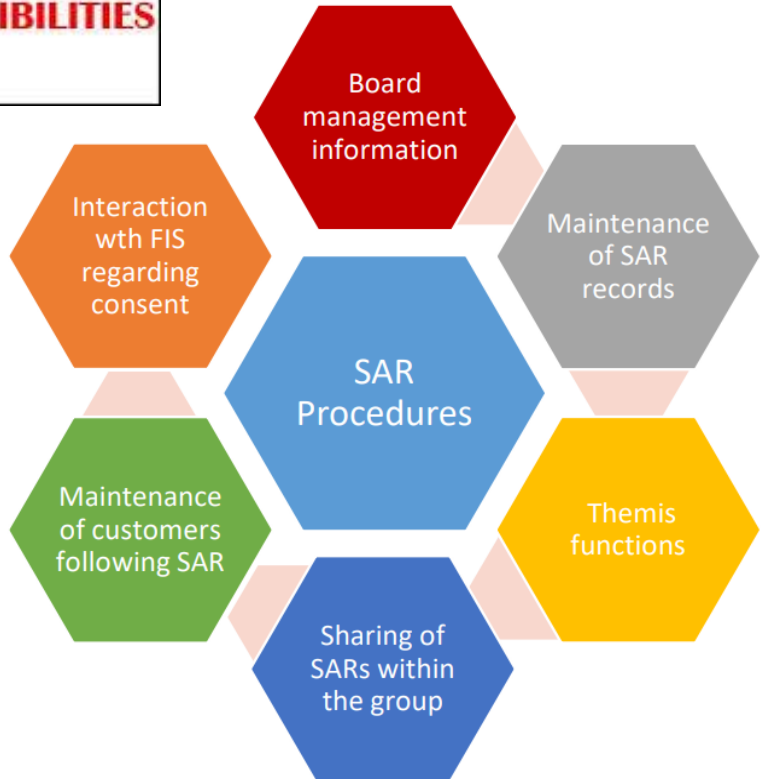
(3) BOARD is responsible for establishing effective reporting policies, procedures & controls



BOARD OF DIRECTORS

- Roles
- DUTIES
- RESPONSIBILITIES

What we think
boards should
ensure is covered
in SAR procedures.



Slido Question 4

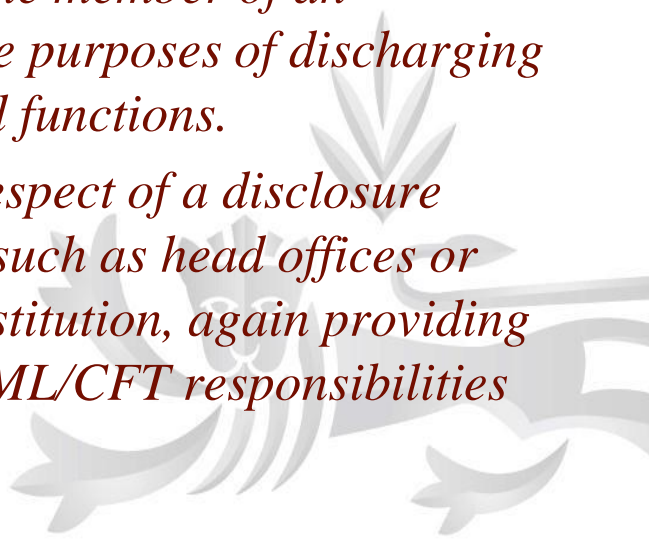
Will the MLRO be committing a tipping off offence if they disclose the fact that a SAR has been externalised to:

- (a) a Board member;
- (b) a Group AML/CFT function;
- (c) a Board member and Group AML/CFT function or
- (d) None of the above



HM Procurer Response – October 2011

“For the avoidance of doubt it is confirmed that no prosecutions will be brought against persons who disclose the fact that a SAR has been or will be made,


- if the disclosure is made by one member of an organisation to another for the purposes of discharging AML/CFT responsibilities and functions.*
 - This will also be the case in respect of a disclosure made to linked organisations such as head offices or other branches of the same institution, again providing that it is made to discharge AML/CFT responsibilities and functions.”*
- 

Management Information

At least **one third** of **boards** are **not** receiving **sufficient MI** to meet the minimum requirements specified by the Handbook.



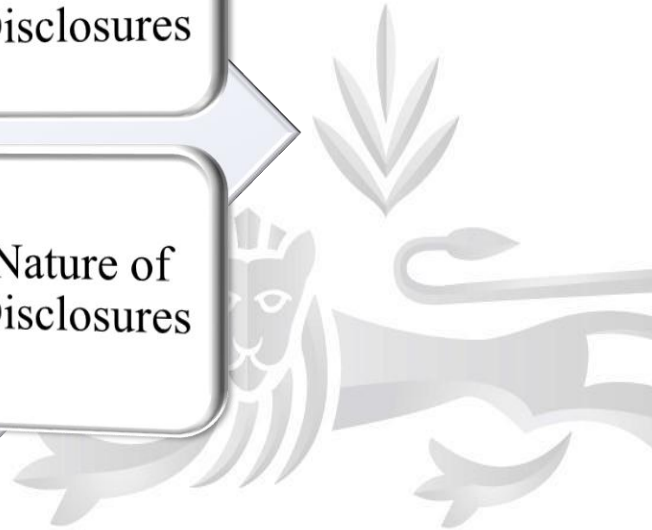
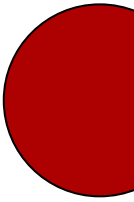
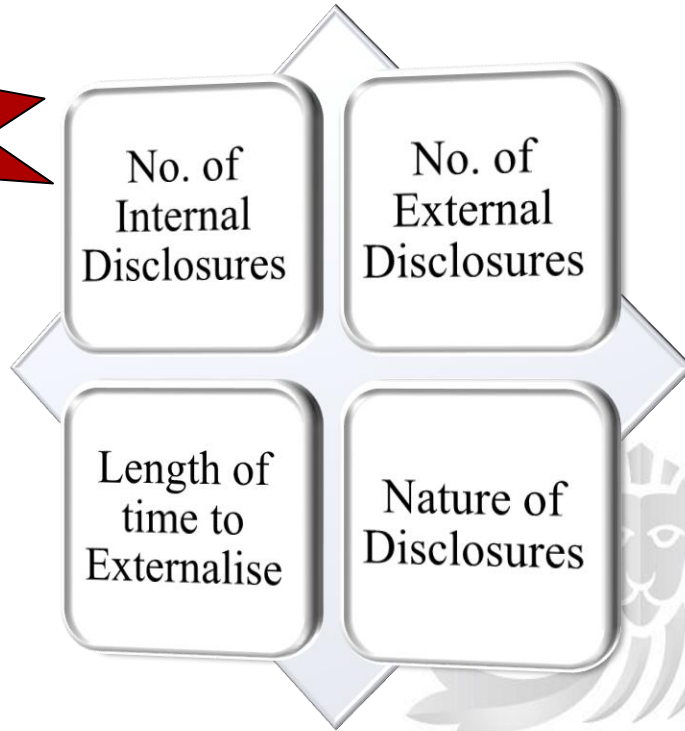
Management Information – Case Study 5



**An extract from a 2020
board report:**

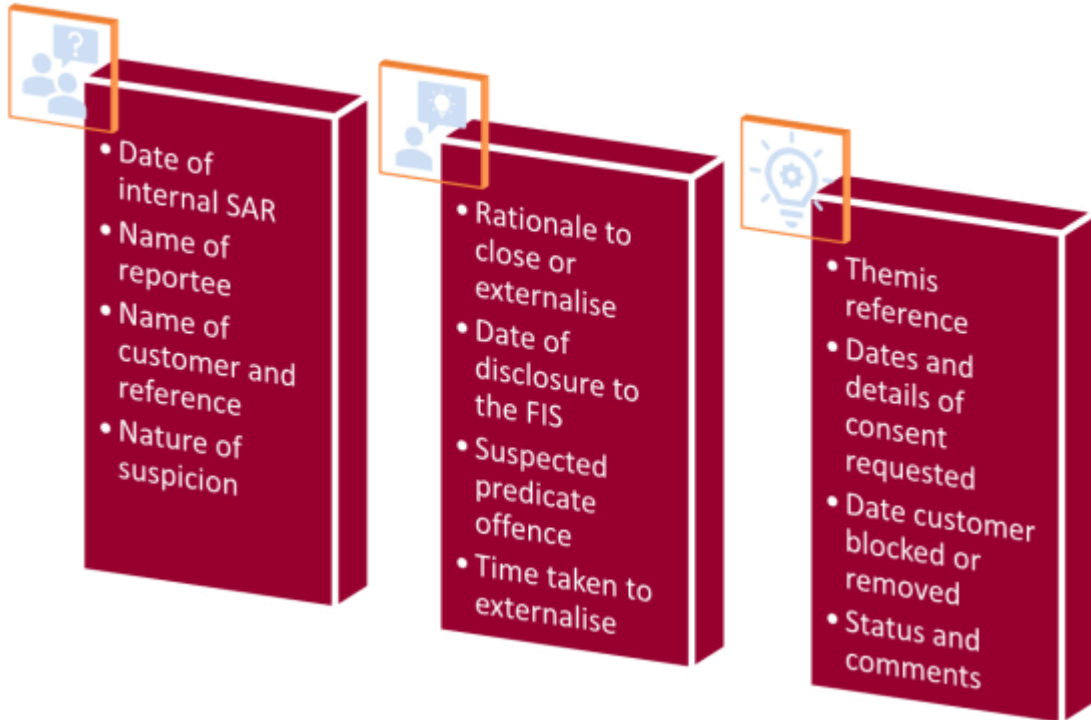
“In the period under review there have been several internal STRs [SARs] received and some submissions to the FIS.”

Minimum Management Information



SAR Register – Case Study 12

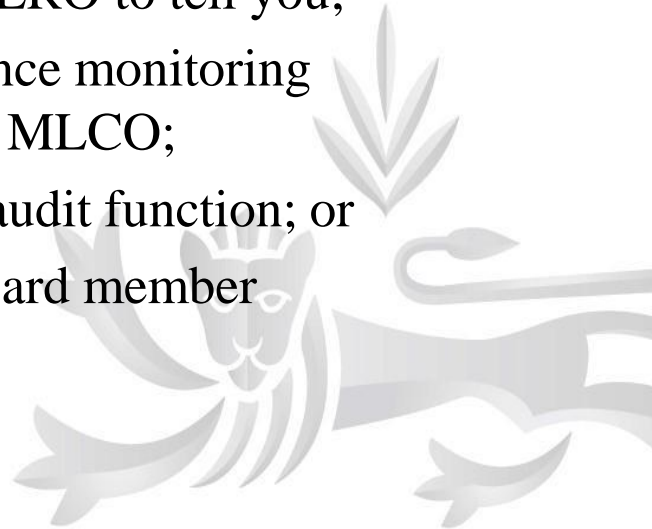
Good Quality MI = Good Record Keeping



Slido Question 5

How does the Board ensure that the SAR Procedures and controls are operating effectively?:

- (a) Reliance is placed on the MLRO to tell you;
- (b) It forms part of the compliance monitoring programme overseen by the MLCO;
- (c) Tested by internal/external audit function; or
- (d) Independent review by a Board member



Testing Procedures & Controls



*Only one third of firms
conducted tests that
examined the SAR
procedures and controls*



Bailiwick of Guernsey
Financial Intelligence Unit

Financial Intelligence Unit Update

David Ecuyer
Operations Manager (FIU)



Bailiwick of Guernsey
Financial Intelligence Unit

- Re-branding FIS to FIU
- Changes to the Criminal Justice Framework
- Guernsey Integrated Money Laundering Terrorist Financing Taskforce
- Pandora Papers
- SAR Quality
- SAR Guidance
- Consent Guidance



Re-Branding FIU

- 2021 re-branding
- Recommendation 29 – FIU (no change)
- Operational independence and autonomy
- The Economic and Financial Crime Bureau & Financial Intelligence Unit (Bailiwick of Guernsey) Law, 2021
- Part III – The FIU – **No Changes to the Reporting Regime**
- Receipt, analysis and dissemination (Disclosures)
- Part I Disclosure Law
- Part III Terrorism & Crime Law

Criminal Justice Framework

- Consultation Paper issued (15th October 2021) on revisions to the Criminal Justice Framework
- Introduce summary forfeiture in ‘no consent’ cases
- Jersey model
- Failure to satisfy court property is tainted
- 12 months – proof
- Effective mechanism – longstanding ‘no consent’

GIMLIT

(Guernsey Integrated Money Laundering & Terrorist Financing Intelligence)

- Consultation Paper – results (22)
- Key areas of concern
- Legislation / Policy issues (law, purpose, powers, tipping off, MOU)
- Operational issues (resources, data protection, information sharing, membership)
- Other issues (intel v evidence, timely, implementation, “fishing”)
- Pilot scheme
- Quad island approach
- Way forward – Joint Money Laundering Intelligence Task Force

GIMLIT

Reporting Regime

- Obligation remains the same
- Knowledge or Suspicion ?
- GIMLIT Request – Do I file a SAR?
 - Information from FIU/Law Enforcement
 - Client Review
 - Outcome – knowledge or suspicion
- Reporting to GIMLIT
 - Requests via THEMIS
 - Responses via THEMIS (SAR or other means?)

Pandora Papers

- Offshore havens and hidden riches of world leaders – exposed
- Impact on Guernsey as an international finance centre
- Strategic analysis – risk / exposure
- Monitoring
- Reporting (internal / external)
- Threat and risk (moderate to low)



Money Laundering Risks

National Risk Assessment

RESIDUAL RISK RATING	SECTOR/PRODUCT
Very much higher	
Much higher	
Higher	Private banking sector
	TCSP sector (legal persons and legal arrangements)
	Foreign legal persons
	Domestic legal persons and legal arrangements (cross-border activity apart from retirement/pension solutions)
Medium Higher	Retail banking sector
	Investment sector (asset management etc.)
Medium	Investment sector (collective investment schemes)
	Legal sector
	Foreign legal arrangements

Board of Directors

- FIU letter 2020 / 2021
- All Banks, Fiduciaries (including Personal), Law Firms and Investment and Securities
- A request for the Board of Directors to;
- Review standard of SARs – meet the guidance issued in October 2019
- Confirm – a review had been undertaken and improve internal policies, procedures and controls
- Confirm – quarterly summary of THEMIS notices
- Confirm – all THEMIS notices are read and actioned

FIU / GFSC Collaboration

Reporting Suspicion

- GFSC – Reporting Suspicion Thematic Review (2020)
- Policies and Procedures lacking content in the reporting process
- Reliance on the MLRO
- FIU letters 2020 / 2021
- End of 2021 all firms have updated policies and procedures on how suspicion is handled, reported, recorded and managed
- FIU will be reviewing SAR content
- Interaction with GFSC on areas of risk or concern identified

Financial Intelligence ‘A Valuable Tool’



Provides information on suspects movements



Locates and identifies suspects, witnesses and victims



Extracts Data / Emerging Technologies



Identifies World-wide Assets



Identifies associations and links to people and places

Improving Quality of SARs; Reason for Suspicion

Include;

- Who is involved?
- How are they involved?
- How did the circumstances arise?
- What is the criminal/terrorist property?
- What is the value of the criminal/terrorist property (estimated as necessary)?
- Where is the criminal/terrorist property? (E.g. property in Spain, investments held in Switzerland etc.)
- When are the circumstances planned to happen?
- When did the circumstances arise?
- Why are you suspicious or how do you have knowledge?

Improving Quality of SARs

SAR Guidance









Guidance to Improve Suspicious Activity Reports

YOU COMPLETED 0%

Bailiwick of Guernsey Financial Intelligence Unit E-Learning

Welcome to an online e-learning program designed to reach out to financial and non-financial reporting entities as well as public sector bodies.

The FIU is committed to improving our outreach program and we would appreciate your views and comments on our e-learning course.

	Overview	
	<small>Show learning objective</small>	<small>0/4 answered correctly</small>
	Suspicious Activity Report	
		<small>0/6 answered correctly</small>
	Structuring the SAR	
		<small>0/8 answered correctly</small>
	Submitting a SAR	
		<small>0/7 answered correctly</small>

SAR Guidance

Learning Outcomes

- Understand the role of the FIU
- Define suspicion
- Be able to identify suspicious activity or transactions
- Know when to submit a suspicious activity report
- Know how to report to the FIU
- Understand Consent or a Defence against Money Laundering
- Produce better quality reports
- Understand the offence of 'Tipping Off' and the consequences
- Course Certificate (CPD)

**Aim to be Published by the end
of November 2021**

Consent Regime Guidance

Consent Regime E- Learning

YOU COMPLETED 0%

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Overview

Show learning objective

0/13 answered correctly



The Consent Regime

0/12 answered correctly



Consent Examples

0/4 answered correctly

Consent Guidance

Learning Outcomes

- Have an understanding of the Bailiwicks Consent Regime
- Understand what is meant by consent or a statutory defence against money laundering
- Understand FIU responses to consent requests
- Understand your ongoing obligations
- Understand tipping off offences
- Course Certificate (CPD)

**Aim to be Published early
December 2021**

www.guernseyfis.gg



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Search

A photograph of two brown cows in a field of yellow flowers under a blue sky. The cow on the left is in the foreground, looking towards the camera. The cow on the right is slightly behind and to the right, also looking towards the camera. The background shows more trees and a clear blue sky.

Gathering information on money
laundering and terrorist financing



Bailiwick of Guernsey
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Guernsey Financial
Services Commission



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