



Guernsey Financial  
Services Commission

**HANDBOOK FOR LEGAL  
PROFESSIONALS, ACCOUNTANTS AND  
ESTATE AGENTS ON  
COUNTERING FINANCIAL CRIME  
AND TERRORIST FINANCING**

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# **PART 1 – REGULATORY REQUIREMENTS AND GUIDANCE NOTES**

## **CHAPTER 1 – INTRODUCTION**

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# 1 INTRODUCTION

1. The laundering of criminal proceeds and the financing of terrorism through the financial and business systems of the world is vital to the success of criminal and terrorist operations. To this end, criminals and terrorists seek to exploit the facilities of the world's businesses in order to benefit from such proceeds or financing. Increased integration of the world's financial systems and the removal of barriers to the free movement of capital have enhanced the ease with which criminal proceeds can be laundered or terrorist funds transferred and have added to the complexity of audit trails. The future of the Bailiwick of Guernsey (Guernsey) as a well-respected international financial centre depends on its ability to prevent the abuse of its financial and prescribed business sectors. Descriptions of money laundering and terrorist financing are provided in Appendix A to this Handbook.

## 1.1 Background and Scope

2. The Guernsey authorities are committed to ensuring that money launderers, terrorists, those financing terrorism and other criminals, cannot launder the proceeds of crime through Guernsey, or otherwise use Guernsey's business sector. The Guernsey Financial Services Commission (the Commission) endorses the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation issued by the Financial Action Task Force (FATF) . The Handbook for Legal Professionals, Accountants and Estate Agents on Countering Financial Crime and Terrorist Financing (the Handbook) is a statement of the standards expected by the Commission of all prescribed businesses in Guernsey to ensure Guernsey's compliance with the FATF's standards.
3. Under section 1(1) of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 all offences that are indictable under the law of the Bailiwick are considered to be predicate offences and therefore funds obtained by committing a predicate offence are considered to be the proceeds of crime. Under Bailiwick law all offences are indictable except for some minor offences, which mainly concern public order and road traffic. Therefore, the range of predicate offences is extremely wide and includes but is not limited to the following:
  - participation in an organised criminal group and racketeering;
  - terrorism, including terrorist financing;
  - trafficking in human beings and migrant smuggling;
  - sexual exploitation, including sexual exploitation of children;
  - illicit trafficking in narcotic drugs and psychotropic substances;
  - illicit arms trafficking;
  - illicit trafficking in stolen and other goods;
  - corruption and bribery;
  - fraud and tax evasion;
  - counterfeiting and piracy of products;
  - environmental crime;

- murder, grievous bodily injury;
  - kidnapping, illegal restraint and hostage taking;
  - robbery or theft;
  - smuggling;
  - extortion;
  - forgery;
  - piracy; and
  - insider trading and market manipulation.
4. The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) Regulations, 2008 as amended (the Regulations) define a prescribed business as being legal and accountancy services and estate agency when undertaking a specified range of activities and where such a business is not a financial services business. Sections 1.6, 1.7 and 1.8 of this Handbook provide information and guidance on the specific range of activities and on when and how legal professionals, accountants and estate agents are subject to the AML/CFT framework.

## **1.2 Purpose of the Handbook**

5. The Handbook has been issued by the Commission and, together with Statements issued by the Commission, contains the rules and guidance referred to in Regulation 3(2) of the Regulations, section 15(6)(a) of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 as amended, section 15 of the Disclosure (Bailiwick of Guernsey) Law, 2007.
6. The Handbook is issued to assist prescribed businesses to comply with the requirements of the relevant legislation concerning money laundering, terrorist financing and related offences to prevent the Bailiwick's business operations from being used in the laundering of money or the financing of terrorism. The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 as amended and the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 as amended states that the Guernsey courts shall take account of rules made and guidance given by the Commission in determining whether or not a person has complied with the Regulations.
7. The Guernsey AML/CFT framework includes the following legislation, which is referred to in the Handbook as the relevant enactments:
- The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 as amended;
  - The Drug Trafficking (Bailiwick of Guernsey) Law, 2000 as amended;
  - The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 as amended;
  - The Disclosure (Bailiwick of Guernsey) Law, 2007 as amended;
  - The Disclosure (Bailiwick of Guernsey) Regulations, 2007 as amended;

- The Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007 as amended;
- The Prescribed Businesses (Bailiwick of Guernsey) Law, 2008 as amended;
- The Registration of Non-Regulated Financial Services Businesses (Bailiwick of Guernsey) Law, 2008 as amended;
- The Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011;
- The Al-Qaida and Taliban (Freezing of Funds) (Guernsey) Ordinance, 2011

and such enactments relating to money laundering or terrorist financing as may be enacted from time to time in respect of the Bailiwick or any part thereof.

8. The Regulations include requirements relating to:
  - risk assessment and mitigation;
  - undertaking client due diligence (CDD);
  - monitoring client activity and ongoing CDD;
  - reporting suspected money laundering and terrorist financing activity;
  - staff screening and training;
  - record keeping; and
  - ensuring compliance, corporate responsibility and related requirements.
9. For any prescribed business, whether regulated by the Commission or registered with the Commission, the primary consequences of any significant failure to meet the standards required by the Regulations, the Handbook and the relevant enactments will be legal ones.

### 1.3 Contents of the Handbook

10. The Handbook is divided into three parts. The text in Part 1 applies to all Guernsey prescribed businesses. Part 2 provides material for a number of specific industry sectors, which supplements the generic text contained in Part 1. Part 3 contains appendices and a glossary of terms.
11. The full text of the Regulations is set out in Appendix F. That text is definitive. Any paraphrasing of that text within Part 1 or 2 of the Handbook represents the Commission's own explanation of the Regulations and is for the purposes of information and assistance only. That paraphrasing does not detract from the legal effect of the Regulations or from their enforceability by the courts. In case of doubt you are advised to consult legal advice.
12. Part 1 of the Handbook takes a two-level approach:
  - Level one (**Commission Rules**) sets out how the Commission requires prescribed businesses to meet the Regulations. Failure to meet the requirements of the Rules is not only subject to sanctions as set out in the Regulations but may also lead to prescribed businesses failing to meet the

Regulations (which are legally enforceable and a contravention of which can result in prosecution). Additionally, compliance with the Commission Rules must be taken into account by the courts when considering compliance with the Regulations. The Commission can also take enforcement action under the Prescribed Businesses (Bailiwick of Guernsey) Law, 2009 in respect of those prescribed businesses registered with the Commission under the Regulations. In addition, the Commission can take enforcement action under the regulatory laws for any contravention of the Commission Rules in respect of those financial services businesses licensed or authorised under those laws and under the Financial Services Commission Law.

- Level two (**Guidance**) presents ways of complying with the Regulations and the Commission Rules. A prescribed business may adopt other appropriate and effective measures to those set out in Guidance, including policies, procedures and controls established by the group Head Office of the prescribed business, so long as it can demonstrate that such measures also achieve compliance with the Regulations and the Commission Rules.
13. When obligations in the Regulations are explained or paraphrased in the Handbook, and where the Commission's Rules are set out in the Handbook, the term **must** is used, indicating that these provisions are **mandatory** and subject to the possibility of prosecution (in the case of a contravention of the Regulations) as well as any other applicable sanctions.
  14. Information on the Regulations and, where appropriate, the text of the most relevant Regulations are shown in a box on a white background at the front of each chapter.
  15. The text of the Commission Rules is presented in shaded boxes throughout each chapter of the Handbook for ease of reference.
  16. In other cases, i.e. Guidance, the Handbook uses the terms **should** or **may** to indicate ways in which the requirements of the Regulations and the Commission Rules may be satisfied, but allowing for alternative means of meeting the requirements. References to "must", "should" and "may" in the text must therefore be construed accordingly.
  17. The Commission will from time to time update the Handbook to reflect new legislation, changes to international standards and good practice and the Regulations.
  18. The Handbook is not intended to provide an exhaustive list of appropriate and effective policies, procedures and controls to counter money laundering and the financing of terrorism. The structure of the Handbook is such that it permits a prescribed business to adopt a risk-based approach appropriate to its particular circumstances. The prescribed business should give consideration to additional measures that may be necessary to prevent its exploitation and that of its services/products and delivery channels by persons seeking to carry out money laundering or terrorist financing.



## **1.4 Risk-Based Approach**

19. A risk-based approach is a systematic approach to risk management and involves:
  - risk identification and assessment – taking account of the client and the business relationship or occasional transaction and of the product/service/delivery channel to identify the money laundering and terrorist financing risk to the prescribed business;
  - risk mitigation – applying appropriate and effective policies, procedures and controls to manage and mitigate the risks identified;
  - risk monitoring – monitoring the effective operation of a prescribed business' policies, procedures and controls; and
  - policies, procedures and controls – having documented policies, procedures and controls to ensure accountability to the board and senior management.
20. It is important to understand that different types of prescribed businesses – whether in terms of products/services or delivery channel or typical clients, can differ materially. An approach to preventing money laundering and terrorist financing that is appropriate in one sector may be inappropriate in another.
21. A prescribed business should be able to take such an approach to the risk of being used for the purposes of money laundering and terrorist financing and to ensure that its policies, procedures and controls are appropriately designed and implemented and are effectively operated to reduce the risk of the prescribed business being used in connection with money laundering or terrorist financing.

## **1.5 General Application of the Regulations and the Handbook**

22. The Regulations and this Handbook have been drafted in a manner which takes into account the fact that not all the requirements of the FATF Recommendations are relevant to prescribed businesses. The Handbook also recognises not only the differences between prescribed businesses and Guernsey's finance sector but also the links between some of the individual firms, particularly in the area of property transactions in some of the islands in Guernsey. Taking such an approach to the drafting of the Regulations and this Handbook helps to prevent the application of unnecessary and bureaucratic standards.
23. Whilst the requirements of the Regulations and the Handbook which provide for the undertaking of a risk-based approach, corporate governance, CDD, suspicion reporting, training and record keeping apply equally to all firms, there are other requirements of the Regulations and the Handbook which may not be as relevant to some particular areas of business and where their application will be dependant not only upon the assessed risk of the business itself but also upon the nature of the prescribed business - legal, accountancy or estate agency.
24. The Commission is also aware that a large proportion of the occasional transactions and business relationships undertaken by prescribed businesses are established on a face-to-face basis. The Regulations and the Handbook recognise that certain types of occasional transactions or business relationships, for example

those established on a face-to-face basis, may present a lower risk of money laundering or terrorist financing. Regulation 6 and chapter 6 of the Handbook provide for simplified or reduced CDD measures to be undertaken in low risk relationships where specified criteria are met.

25. Where businesses choose to outsource or subcontract work to non-regulated entities, they should bear in mind that they remain subject to the obligation to maintain appropriate risk management procedures to prevent money laundering or terrorist financing activity. In that context, they should consider whether the subcontracting increases the risk that they will be involved in or used for money laundering or terrorist financing, in which case appropriate and effective controls to address that risk should be put in place.
26. The following sections of this chapter provide more information on how the Regulations and the Rules in the Handbook apply to particular areas of prescribed businesses.

## **1.6 Application of the Regulations and the Handbook to Legal Professionals**

27. The Regulations and this Handbook apply to lawyers, notaries and other independent legal professionals (lawyers) who are not financial services businesses but, by way of business, provide key legal or notarial services to other persons. The Regulations and this Handbook do not apply to independent legal professionals employed by a public authority or undertakings which do not, by way of business, provide legal services to third parties (such as financial services businesses).
28. More specifically, the Regulations and this Handbook apply to legal professionals when, on behalf of or for a client, they prepare for or carry out transactions in relation to the following activities defined by the FATF.
  - (a) the acquisition or disposal of real property or any interest therein;
  - (b) the management of client money, securities or other assets;
  - (c) the management of bank, savings or securities accounts;
  - (d) the organisation of contributions for the creation, operation management or administration of companies; or
  - (e) the creation, operation or management or administration of legal persons or arrangements, and the acquisition or disposal of business entities.
29. It should be noted that “management” means running something, or controlling or taking charge of it, so there is an element of active intervention with a power to make decisions in respect of the asset in question. Although the management of a bank account is wider than simply opening a client account, the fact that a legal professional opens a client account for the funds of his client does not necessarily mean that he is not managing them. In some cases it may be the nature of the services that are to be provided under the contract for services that are decisive rather than what the legal professional actually does with the asset in question.

30. A significant number of legal firms who have in the past provided services in respect of (d) and (e) above made arrangements for those services to be carried out by related fiduciary entities, which are regulated under the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2000, as amended. Additionally, a number of legal firms are licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, to carry out the services identified in (b) and (c) above. If you are uncertain whether the Regulations and this Handbook apply to your work, you are advised to seek legal advice on the individual circumstances of your practice.
31. Information on legal professional privilege is provided in chapter 8 which deals with the reporting of suspicion and section 12.1.1 of this Handbook which provides information on features or activities of the legal profession which may give rise to suspicion.

## **1.7 Application of the Regulations and the Handbook to Accountants, Auditors, Insolvency Practitioners and Tax Advisers**

32. The Regulations and the Handbook apply to any person who is not a financial services business but, by way of business, acts as an auditor, external accountant, insolvency practitioner or tax adviser. .
33. For the purposes of the Regulations and the Handbook –
  - an external accountant means an person who, by way of business, provides accountancy services to third parties and does not include accountants employed by
    - (a) public authorities, or
    - (b) undertakings which do not by way of business provide accountancy services to third parties.
  - an insolvency practitioner means any person who, by way of business, provides services which include acceptance of appointment as an administrator, liquidator or receiver under the Companies (Guernsey) Law, 2008, the Limited Partnerships (Guernsey) Law, 1995 or any other similar enactment.
  - a tax adviser means any person who, by way of business, provides advice about the tax affairs of other persons,

and, for the avoidance of doubt, in each case, does not include an employed person whose duties relate solely to the provision of audit services or accountancy services or services of a type described in the above definitions of insolvency practitioner or tax adviser, as the case may be, to his employer.

34. If you are uncertain whether the Regulations and this Handbook apply to your work, you are advised to seek legal advice on the individual circumstances of your practice.

35. Section 12.2.1 of this Handbook provides information on features or activities of accountancy practices which may give rise to suspicion. The Handbook is divided into three parts. The text in Part 1 applies to all Guernsey prescribed businesses. Part 2 provides material for a number of specific industry sectors, which supplements the generic text contained in Part 1. Part 3 contains appendices and a glossary of terms.

## **1.8 Application of the Regulations and the Handbook to Estate Agents.**

36. The Regulations and the Handbook apply to the business of estate agents when they are involved in transactions for a client concerning the buying and selling of real estate.
37. More specifically, the Regulations and the Handbook apply to estate agents when acting, in the course of business, on behalf of others in the acquisition or disposal of real property or any interest therein –
- (a) for the purpose of or with a view to effecting the introduction to the client of a third person who wishes to acquire or (as the case may be) dispose of such an interest, and
  - (b) after such an introduction has been effected in the course of that business, for the purpose of securing the disposal or (as the case may be) the acquisition of that interest.
38. It should be noted that the FATF Recommendations specifically require CDD (e.g. identification and verification) of clients to be undertaken in respect of both the purchasers and the vendors of real property.
39. Due to the nature of business undertaken by estate agents the requirements of the Regulations and the Handbook will, in some areas, be less than the requirements for the legal and accountancy professions. For example, a significant proportion of estate agency business will be undertaken on an occasional transaction basis rather than where a business relationship has been established - ongoing monitoring is only necessary where a business relationship has been established and a number of linked transactions undertaken. Additionally, it is likely that a high proportion of deposits made to estate agents will emanate from local banks or banks operating from Jersey, the Isle of Man, the UK or a range of other jurisdictions specified by the Commission - thereby satisfying the request for verification of identity.
40. Section 12.3.1 of this Handbook provides information on features or activities of estate agency business which may give rise to suspicion.

## **CHAPTER 2 – CORPORATE GOVERNANCE**

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## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 12, which provides for the appointment of a money laundering reporting officer and the reporting of suspicion. See chapter 8.
- Regulation 15, which makes provisions in relation to the review of compliance. See below.

### **Regulation 15**

15. A prescribed business must, in addition to complying with the preceding requirements of these Regulations -

- (a) establish such other policies, procedures and controls as may be appropriate and effective for the purposes of forestalling, preventing and detecting money laundering and terrorist financing,
- (b) establish and maintain an effective policy, for which  
  
responsibility must be taken by the board, for the review of its compliance with the requirements of these Regulations and such policy shall include provision as to the extent and frequency of such reviews,
- (c) ensure that a review of its compliance with these Regulations is discussed and minuted at a meeting of the board at appropriate intervals, and in considering what is appropriate a prescribed business must have regard to the risk taking into account -
  - (i) the size, nature and complexity of the prescribed business,
  - (ii) its clients, products and services, and
  - (iii) the ways in which it provides those products and services,
- (d) have regard to the provisions of the Handbook.

## 2 CORPORATE GOVERNANCE

A prescribed business must comply with the Rules in addition to the Regulations. The Rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations.

### 2.1 Objectives

41. Corporate governance refers to the manner in which boards of directors and senior management oversee the prescribed business. This chapter, together with the Regulations, provides the framework for oversight of the policies, procedures and controls of a prescribed business to counter money laundering and terrorist financing.

### 2.2 Corporate Governance

42. References in this chapter to “the Board” must be read as meaning the senior management of the prescribed business where the business is not a company, but is, for example, a firm or partnership.

### 2.3 Board Responsibility for Oversight of Compliance

43. The Board of the prescribed business has effective responsibility for compliance with the Regulations and the Handbook and references to compliance in this Handbook generally, are to be taken as references to compliance with the Regulations and the Handbook. In particular the Board must take responsibility for the policy on reviewing compliance and must consider the appropriateness and effectiveness of compliance and the review of compliance at appropriate intervals.
44. A prescribed business must also ensure that there are appropriate and effective policies, procedures and controls in place which provide for the Board to meet its obligations relating to compliance review, in particular the Board must:
- ensure that the compliance review policy takes into account the size, nature and complexity of the business and includes a requirement for sample testing of the effectiveness and adequacy of the policies, procedures and controls including where aspects of the due diligence process are undertaken via electronic methods and systems;
  - consider whether it would be appropriate to maintain a separate audit function to assess the adequacy and effectiveness of the area of compliance;
  - ensure that when a review of compliance is discussed by the Board at appropriate intervals the necessary action is taken to remedy any identified deficiencies;
  - provide adequate resources either from within the prescribed business, within the group, or externally to ensure that the AML/CFT policies, procedures and controls of the prescribed business are subject to regular monitoring and testing as required by the Regulations;
  - provide adequate resources to enable the MLRO to perform his duties; and

- take appropriate measures to keep abreast of and guard against the use of technological developments and new methodologies in money laundering and terrorist financing schemes.

45. The Board may delegate some or all of its duties but must retain responsibility for the review of overall compliance with AML/CFT requirements as required by Regulation 15.

### **2.3.1 Liaison with the Commission**

46. The Board of a prescribed business must ensure that the Commission is advised of any material failure to comply with the provisions of the Regulations and the rules in the Handbook and of any serious breaches of the policies, procedures or controls of the prescribed business.

### **2.3.2 Outsourcing**

47. It should be noted that whether a prescribed business carries out a function itself, or outsources the function to a third party (either in Guernsey or overseas, or within its group or externally) the prescribed business remains responsible for compliance with the Regulations in Guernsey and the requirements of the Handbook. A prescribed business cannot contract out of its statutory and regulatory responsibilities to prevent and detect money laundering and terrorist financing.

48. Where a prescribed business wishes to outsource functions, it should make an assessment of any potential money laundering and financing of terrorism risk, maintain a record of the assessment, monitor the perceived risk, and ensure that relevant policies, procedures and controls are and continue to be in place at the outsourced business.

49. Where a prescribed business is considering the outsourcing of compliance functions and/or providing the MLRO with additional support from third parties, from elsewhere within the group or externally, then the business should:

- consider and adhere to the Commission's policy on outsourcing;
- ensure that roles, responsibilities and respective duties are clearly defined and documented;
- ensure that the MLRO, any deputy MLRO, other third parties and all employees understand the roles, responsibilities and respective duties of all parties.

## **2.4 The Money Laundering Reporting Officer**

50. In larger prescribed businesses, because of their size, nature and complexity, the appointment of one or more appropriately qualified persons as permanent deputy MLROs may be necessary.



51. The MLRO and any deputy MLROs that are appointed must:

- be a natural person
- be employed by the prescribed business;
- be resident in Guernsey;
- be the main point of contact with the Financial Intelligence Service (FIS) in the handling of disclosures;
- have sufficient resources to perform his duties;
- have access to the CDD records;
- be available on a day to day basis (see section 2.4.1);
- receive full cooperation from all staff;
- report directly to the Board;
- have regular contact with the Board to ensure that the Board is able to satisfy itself that all statutory obligations and provisions in the Handbook are being met and that the prescribed business is taking sufficiently robust measures to protect itself against the potential risk of being used for money laundering and terrorist financing; and
- be fully aware of both his obligations and those of the prescribed business under the Regulations, the relevant enactments and the Handbook.

#### **2.4.1 Nominated officer**

52. In order to meet the requirements of Regulation 12(b), a prescribed business must nominate another person to receive disclosures in the absence of the MLRO and must communicate the name of the nominated officer to the employees. The nominated person must be of at least management level and must be appropriately qualified.

## CHAPTER 3 – A RISK-BASED APPROACH

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## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 3, which provides for a prescribed business to identify and assess the risks of money laundering and terrorist financing and to ensure that its policies, procedures and controls are effective and appropriate to the assessed risk. See below.
- Regulation 15, which makes provisions in relation to the review of compliance. See chapter 2.

### **Regulation 3**

3. (1) A prescribed business must-

- (a) carry out and document a suitable and sufficient money laundering and terrorist financing business risk assessment which is specific to the prescribed business-
  - (i) as soon as reasonably practicable after these Regulations come into force, or
  - (ii) in the case of a prescribed business which only becomes such on or after the date these Regulations come into force, as soon as reasonably practicable after it becomes such a business, and
- (b) regularly review its business risk assessment, at a minimum annually, so as to keep it up to date and, where, as a result of that review, changes to the business risk assessment are required, it must make those changes.

(2) A prescribed business must-

- (a) prior to the establishment of a business relationship or the carrying out of an occasional transaction, undertake a risk assessment of that proposed business relationship or occasional transaction,
- (b) regularly review any risk assessment carried out under subparagraph (a) so as to keep it up to date and, where changes to that risk assessment are required, it must make those changes, and
- (c) ensure that its policies, procedures and controls on forestalling, preventing and detecting money laundering and terrorist financing are appropriate and effective, having regard to the assessed risk.

(3) A prescribed business must have regard to -

- (a) any relevant rules and guidance in the Handbook, and
- (b) any notice or instruction issued by the Commission under the Law, in determining, for the purposes of these Regulations, what constitutes a high or low risk.

### 3 A RISK-BASED APPROACH

A prescribed business must comply with the Rules in addition to the Regulations. The Rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations.

#### 3.1 Objectives

53. References in this chapter to “the Board” must be read as meaning the senior management of the prescribed business where the business is not a company, but is, for example, a firm or partnership.

54. The Board and senior management of any business are responsible for managing the business effectively. They are in the best position to evaluate all potential risks. The Board and senior management of a prescribed business are accustomed to applying proportionate risk-based policies across different aspects of their business.

55. This chapter, together with the Regulations, is designed to assist a prescribed business to take such an approach to the risk of its products and services being used for the purposes of money laundering and terrorist financing and to ensure that its policies, procedures and controls are appropriately designed and implemented and are effectively operated to reduce the risk of the prescribed business being used in connection with money laundering and terrorist financing.

56. In order to meet the requirements of Regulation 3 a prescribed business must have regard to any relevant rules and guidance in assessing the risk of a business relationship or occasional transaction particularly in respect of higher risk relationships or transactions.

#### 3.2 Benefits of a Risk-Based Approach

57. No system of checks will detect and prevent all money laundering or terrorist financing. A risk-based approach will, however, serve to balance the cost burden placed on individual businesses and on their clients with a realistic assessment of the threat of the business being used in connection with money laundering or terrorist financing. It focuses the effort where it is needed and has most impact.

58. To assist the overall objective to prevent the abuse of the prescribed sector, a risk-based approach:

- recognises that the money laundering/terrorist financing threat to a prescribed business varies across its clients, countries/territories, products/services and delivery channels;

- allows the Board and senior management to differentiate between their clients in a way that matches the risk in their particular business;
  - allows the Board and senior management to apply their own approach to the policies, procedures and controls of the prescribed business in particular circumstances;
  - helps to produce a more cost-effective system;
  - promotes the prioritisation of effort and activity by reference to the likelihood of money laundering or terrorist financing taking place;
  - reflects experience and proportionality through the tailoring of effort and activity to risk; and
  - allows a prescribed business to apply the Handbook sensibly and to consider all relevant factors.
59. A risk-based approach takes a number of discrete steps in assessing the most cost-effective and proportionate way to manage the money laundering and terrorist financing risks facing a prescribed business by:
- identifying and assessing the money laundering and terrorist financing risks presented by the particular clients, products/services, delivery channels and geographical areas of operation of the prescribed business;
  - managing and mitigating the assessed risks by the application of appropriate and effective policies, procedures and controls;
  - monitoring and improving the effective operation of the policies, procedures and controls; and
  - documenting, as appropriate, the policies, procedures and controls to ensure accountability to the Board and senior management.

### **3.3 Identifying and Assessing the Risks**

60. A risk-based approach starts with the identification and assessment of the risk that has to be managed. In the context of the Handbook a risk-based approach requires a prescribed business to assess the risks of how it might be involved in money laundering or terrorist financing taking into account its clients, products and services and the ways in which it provides those services.
61. A prescribed business should ask itself what is the threat of it being used for money laundering or terrorist financing. For example:
- What risk is posed/mitigated by the clients of the prescribed business, taking into account:
    - their wealth;
    - their influence;
    - their geographical origin;
    - the complexity of their transaction structures;
    - the complexity of legal persons and legal arrangements;
    - whether they were introduced to the prescribed business; and
    - any unwillingness of clients who are not individuals to give the names

- of their underlying owners and principals.
- What risk is posed/mitigated by the products/services offered by the prescribed business? For example:
  - whether the value of a transaction is particularly high;
  - whether payments to third parties are allowed.

### **3.4 Business Risk Assessment – Management and Mitigation**

62. In order to ensure its policies, procedures and controls on anti-money laundering and terrorist financing are appropriate and effective, having regard to the assessed risk, a prescribed business must ask itself what measures it can adopt, and to what extent, to manage and mitigate the identified risks cost-effectively.

63. These measures may, for example, include:

- varying the CDD procedures in respect of clients appropriate to their assessed money laundering and terrorist financing risk;
- requiring the quality of evidence – documentary/electronic/third party assurance – to be of a certain standard;
- obtaining additional client or business relationship information where this is appropriate to their assessed money laundering or terrorist financing risk, for example, identifying and understanding where a client's funds and wealth come from;
- monitoring ongoing CDD, existing client accounts and ongoing business relationships.

64. The responses to the questions set out in section 3.3, or to similar questions, will be a useful framework for the process whereby a prescribed business, having assessed the risk to its business, is able to tailor its policies, procedures and controls on the countering of money laundering and terrorist financing.

### **3.5 Relationship Risk Assessment – Management and Mitigation**

65. The policies, procedures and controls of each prescribed business towards the identification and assessment of risk in its client base must be appropriate, effective, documented and approved at Board level.

66. For a prescribed business to consider the extent of its potential exposure to the risk of money laundering and terrorist financing it must assess the risk of any proposed business relationship or occasional transaction. Based on this assessment, the prescribed business must decide whether or not to accept each business relationship and whether or not to accept any instructions to carry out any occasional transactions.

67. In addition, the assessment will allow a prescribed business to determine, on a

- risk basis, the extent of identification information (and other CDD information) that must be obtained, how that information will be verified, and the extent to which the resulting business relationship will be monitored.
68. When assessing the risk of a proposed business relationship or occasional transaction a prescribed business must ensure that all the relevant risk factors are considered before making a determination on the level of overall assessed risk.
69. Information which must be taken into consideration when undertaking a relationship risk assessment includes but is not limited to:
- the identity of the client, beneficial owners and underlying principals;
  - the associated geographic areas;
  - the products/services being provided and the delivery channel;
  - the purpose and intended nature of the business relationship or occasional transaction, including the possibility of legal persons and legal arrangements forming part of the business relationship or occasional transaction; and
  - the type, volume and value of activity that can be expected within the business relationship.
70. Where one or more aspects of the business relationship or occasional transaction indicates a high risk of money laundering or terrorist financing but the prescribed business does not assess the overall risk as high because of strong and compelling mitigating factors, the prescribed business must identify the mitigating factors and, along with the reasons for the decision, document them.
71. A prescribed business must ensure that any proposed or existing business relationship or any proposed occasional transaction which:
- has characteristics identified in Regulation 5(1)(a) to (b); or
  - is connected to any of the countries or territories listed in Part A or Part C of Instructions on Business from Sensitive Sources issued by the Commission;
- is designated as high risk.
72. A prescribed business must have documented procedures which will allow it to demonstrate how the assessment of each business relationship or occasional transaction has been reached, and which take into account the nature and complexity of its operation.
73. Such procedures may provide for standardised profiles to be used where the prescribed business has satisfied itself, on reasonable grounds, that such an approach effectively assesses the risk for each particular business relationship or occasional transaction. However, a prescribed business with a diverse client base or where a wide range of products and services are available must develop a more structured and rigorous system to show that judgement has been exercised on an individual basis rather than on a generic or categorised basis.
74. Whatever method is used to assess the risk of a business relationship or occasional transaction there must be clear documented evidence as to the basis on

which the assessment has been made.

75. The extent and manner of the assessment will be dependant upon the nature of the proposed business relationship or occasional transaction. For example, the information available on the purpose and intended nature of the business relationship will vary according to the sector, the nature of the relationship and the role of the prescribed business within the relationship.

### **3.5.1 Business from Sensitive Sources Notices, Instructions, etc.**

76. From time to time the Commission issues Business from Sensitive Sources Notices, Advisory Notices, Instructions and Warnings which highlight potential risks arising from particular sources of business. A prescribed business must ensure that it visits the Commission's website and apprise itself of the available information on a regular basis. Additionally, this information, which is updated as necessary, together with sanctions legislation applicable in the Bailiwick, must be taken into consideration when seeking to create a relationship risk profile.

77. Further information on two of the relevant enactments, for the purposes of this Handbook the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011 ("Terrorist Law 2011") and the Al-Qaida and Taliban (Freezing of Funds) (Guernsey) Ordinance, 2011 ("Al-Qaida Ordinance 2011") can be found in chapters 12 and 14.

78. Care must be taken when dealing with clients, beneficial owners and underlying principals from countries or territories which are associated with the production, processing and trafficking of illegal drugs. Prescribed businesses must also exercise a higher degree of awareness of the potential problems associated with taking on politically sensitive and other clients from countries or territories where bribery and corruption are widely considered to be prevalent.

79. Countries or territories that do not or insufficiently apply the FATF Recommendations and other high risk countries or territories are dealt with in section 5.4 of the Handbook.

### **3.5.2 Inherent risks**

80. A prescribed business must have regard to the attractiveness to money launderers of the availability of complex products and services that operate within reputable and secure wealth management environments that are familiar with high value transactions. The following factors contribute to the increased vulnerability of wealth management:
- wealthy clients, private banking clients and powerful clients – such clients may be reluctant or unwilling to provide adequate documents, details and explanations;
  - multiple accounts and complex accounts – clients often have many accounts in more than one jurisdiction, either within the same firm or group, or with



different firms;

- movement of funds – the transmission of funds and other assets by private clients often involve high value transactions, requiring rapid transfers to be made across accounts in different countries and regions of the world.

81. In order to counter the perceived and actual risks of such relationships, a prescribed business must ensure it recognises, manages and mitigates the potential risks arising from relationships with high net worth clients.

### 3.5.3 Profile indicators

82. Regulations 5 and 6 and the rules in chapters 5 and 6 of the Handbook set out the particular circumstances in relation to the assessment of a proposed business relationship or occasional transaction as having either a high or low risk of money laundering and terrorist financing.

83. This paragraph provides examples of low risk indicators for clients and for products and services which a prescribed business may consider when preparing a profile.

#### (a) Clients – Low Risk Indicators

- clients who are actively employed with a regular source of income which is consistent with the employment being undertaken; and
- clients represented by those whose appointment is subject to court approval or ratification (such as executors).

#### (b) Products and services – Low Risk Indicators

- products where the provider does not permit third party investment or repayment and the ability to make or receive payments to or from third parties is restricted;

84. This paragraph provides examples of high risk indicators for clients and for products and services which a prescribed business may consider when preparing a profile.

#### (a) Clients – High Risk Indicators

- complex ownership structures, which can make it easier to conceal underlying beneficial owners and beneficiaries;
- structures where there is no apparent legitimate economic or other rationale;
- clients or structures which are associated with a specific industry activity which carries a higher exposure to the possibility of bribery and corruption (such as in natural resource extraction, infrastructure construction or the defence industry); an individual who may be regarded as a commercially exposed person because of his or her position as a senior executive of a well known commercial enterprise;

- clients based in, or conducting business in or through, a country or territory with known higher levels of bribery and corruption, or organised crime, or involved in illegal drug production/processing/distribution, or associated with terrorism;
- involvement of an introducer from a country or territory which does not have an adequate AML/CFT infrastructure;
- requests to adopt undue levels of secrecy with a transaction; and
- business relationships or occasional transactions where the source of wealth and source of funds cannot be easily verified or where the audit trail has been deliberately broken and/or unnecessarily layered.

(b) Products and Services – High Risk Indicators

- complex structures of legal persons and/or legal arrangements;
- hold mail or retained mail arrangements;
- safe custody arrangements;
- significant and/or frequent cash transactions; and
- inappropriate delegation of authority.

### 3.6 Monitoring the Effectiveness of Policies, Procedures and Controls

85. The prescribed business' compliance review policy must make provision for a review of the following elements to ensure their appropriateness and effectiveness:
- the procedures surrounding the products/services offered by the prescribed business;
  - the CDD requirements in place including where provided through the use of any electronic method or system for establishing a new business relationship or undertaking an occasional transaction;
  - staff screening and training; and
  - monitoring compliance arrangements.

### 3.7 Documentation

86. Documentation of the results achieved by taking the steps set out in sections 3.3 to 3.6 will assist the prescribed business to demonstrate:
- how it identifies and assesses the risks of being used for money laundering or terrorist financing;
  - how it agrees and implements appropriate and effective policies, procedures and controls to manage and mitigate the risk;
  - how it monitors and improves the effectiveness of its policies, procedures and controls; and
  - how it ensures accountability of the Board and senior management on the operation of its policies, procedures and controls process.

## **CHAPTER 4 – CLIENT DUE DILIGENCE**

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## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 3, which provides for a prescribed business to identify and assess the risks of money laundering and terrorist financing and to ensure that its policies, procedures and controls are effective and appropriate to the assessed risk. See chapter 3.
- Regulation 4, which provides for the required client due diligence measures, when they should be applied and to whom they should be applied. See below.
- Regulation 7, which provides for the timing of identification and verification of identity. See below.
- Regulation 8, which makes provisions in relation to anonymous accounts. See below.
- Regulation 9, which provides for the non-compliance with client due diligence measures. See below.
- Regulation 10, which provides for the client due diligence measures to be undertaken in introduced business relationships. See below.
- Regulation 15, which makes provisions in relation to the review of compliance. See chapter 2.

### **Regulation 4**

4.(1) A prescribed business shall, subject to the following provisions of these Regulations, ensure that the steps in paragraph (3) are carried out -

- (a) when carrying out the activities in paragraphs (2)(a) and (b), and
- (b) in the circumstances in paragraphs (2)(c) and (d).

(2) The activities and circumstances referred to in paragraph (1) are -

- (a) establishing a business relationship,
- (b) carrying out an occasional transaction,
- (c) where the prescribed business knows or suspects or has reasonable grounds for knowing or suspecting -
  - (i) that, notwithstanding any exemptions or thresholds pursuant to these Regulations, any party to a business relationship is engaged in money laundering or terrorist financing, or
  - (ii) that it is carrying out a transaction on behalf of a person, including a beneficial owner or underlying principal, who is engaged in money laundering or terrorist financing, and
- (d) where the prescribed business has doubts about the veracity or adequacy of previously obtained identification data.

<p>(3) The steps referred to in paragraph (1) are that -</p> <ul style="list-style-type: none"> <li>(a) the client shall be identified and his identity verified using identification data,</li> <li>(b) any person purporting to act on behalf of the client shall be identified and his identity and his authority to so act shall be verified,</li> <li>(c) the beneficial owner and underlying principal shall be identified and reasonable measures shall be taken to verify such identity using identification data and such measures shall include, in the case of a legal person or legal arrangement, measures to understand the ownership and control structure of the client,</li> <li>(d) a determination shall be made as to whether the client is acting on behalf of another person and, if the client is so acting, reasonable measures shall be taken to obtain sufficient identification data to identify and verify the identity of that other person,</li> <li>(e) information shall be obtained on the purpose and intended nature of each business relationship, and</li> <li>(f) a determination shall be made as to whether the client, beneficial owner and any underlying principal is a politically exposed person.</li> </ul> <p>(4) A prescribed business must have regard to any relevant rules and guidance in the Handbook in determining, for the purposes of this regulation and regulation 5, what constitutes reasonable measures.</p>	
<p><b>Regulation 7</b></p> <p>7.(1) Identification and verification of the identity of any person or legal arrangement pursuant to regulations 4 to 6 must, subject to paragraph (2) and regulation 4(1)(b), be carried out before or during the course of establishing a business relationship or before carrying out an occasional transaction.</p> <p>(2) Verification of the identity of the client and of any beneficial owners and underlying principals may be completed following the establishment of a business relationship provided that –</p> <ul style="list-style-type: none"> <li>(a) it is completed as soon as reasonably practicable thereafter,</li> <li>(b) the need to do so is essential not to interrupt the normal conduct of business, and</li> <li>(c) appropriate and effective policies, procedures and controls are in place which operate so as to manage risk.</li> </ul>	
<p><b>Regulation 8</b></p> <p>8. A prescribed business must, in relation to all clients-</p> <ul style="list-style-type: none"> <li>(a) not set up anonymous accounts or accounts in fictitious names, and</li> <li>(b) maintain accounts in a manner which facilitates the meeting of the requirements of these Regulations.</li> </ul>	

### Regulation 9

9. Where a prescribed business can not comply with any of regulation 4(3)(a) to (d) it must -
- (a) in the case of an existing business relationship, terminate that business relationship,
  - (b) in the case of a proposed business relationship or occasional transaction, not enter into that business relationship or carry out that occasional transaction with the client, and
  - (c) consider whether a disclosure must be made pursuant to Part I of the Disclosure Law or section 12 of the Terrorism Law.

### Regulation 10

- 10.(1) In the circumstances set out in paragraph (2), a prescribed business may accept a written confirmation of identity and other matters from an introducer in relation to the requirements of regulation 4(3)(a) to (e) provided that -
- (a) the prescribed business also requires copies of identification data and any other relevant documentation to be made available by the introducer to the prescribed business upon request and without delay, and
  - (b) the introducer keeps such identification data and documents.
- (2) The circumstances referred to in paragraph (1) are that the introducer -
- (a) is an Appendix C business, or
  - (b) is either an overseas branch of, or a member of the same group of bodies corporate as, the prescribed business with which it is entering into the business relationship (“**receiving prescribed business**”), and -
    - (i) the ultimate parent body corporate of the group of bodies corporate of which both the introducer and the receiving prescribed business are members, falls within paragraph (2)(a),
    - (ii) the conduct of the introducer is subject to requirements to forestall, prevent and detect money laundering and terrorist financing that are consistent with those in the Financial Action Task Force Recommendations on Money Laundering in respect of such a business, and
    - (iii) the conduct of which is supervised for compliance with the requirements referred to in subparagraph (ii), by the Commission or an overseas regulatory authority.
- (3) Notwithstanding paragraph (1), where reliance is placed upon the introducer the responsibility for complying with the relevant provisions of regulation 4 remains with the receiving prescribed business.

## 4 CLIENT DUE DILIGENCE

A prescribed business must comply with the Rules in addition to the Regulations. The Rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations.

### 4.1 Objectives

87. This chapter sets out the rules and provides guidance in respect of the CDD procedures to be undertaken by a prescribed business in order to meet the CDD requirements of the Regulations in circumstances where the risk of a particular business relationship or occasional transaction has been assessed as normal. See chapter 15 for the definition of CDD.

88. Where the risk of a particular business relationship or occasional transaction has been assessed as higher than normal (described in this Handbook as high risk), the CDD requirements described in this chapter must be read in conjunction with the enhanced CDD requirements described in chapter 5 which deals with high risk relationships.

89. Where the risk of a particular business relationship or occasional transaction has been assessed as lower than normal (described in this Handbook as low risk), the CDD requirements described in this chapter should be read in conjunction with the requirements of chapter 6 which provides for circumstances in which reduced or simplified CDD policies, procedures and controls may be applied.

### 4.2 Client Due Diligence – Policies, Procedures and Controls

90. Sound CDD procedures are vital for all prescribed businesses because they:

- constitute an essential part of risk management, for example, by providing the basis for identifying, assessing, mitigating and managing risk;
- help to protect the prescribed business and the integrity of the financial sector in which it operates by reducing the likelihood of a prescribed business becoming a vehicle for, or a victim of, financial crime and terrorist financing;
- help the prescribed business, at the time the CDD is carried out, to take comfort that the clients and other parties included in a business relationship are who they say they are, and that it is appropriate to provide them with the product or service requested; and
- help the prescribed business to identify, during the course of a continuing business relationship, factors which are unusual and which may lead to knowing or suspecting or having reasonable grounds for knowing or suspecting that persons involved in a business relationship may be carrying out money laundering or terrorist financing.



### 4.3 Obligation to Identify and Verify Identity

91. Establishing that any client, beneficial owner or underlying principal is the person that he claims to be is a combination of being satisfied that:

- a person exists – on the basis of appropriate identification data; and
- the client, beneficial owner or underlying principal, is that person – by verifying from identification data, satisfactory confirmatory evidence of appropriate components of their identity.

92. A prescribed business must have client take-on policies, procedures and controls in place which provide scope to identify and verify identity to a depth appropriate to the assessed risk of the business relationship and occasional transaction. This risk-based approach also applies to the identification and verification of the authority of persons purporting to act on behalf of a client.

93. The policies, procedures and controls must:

- be risk-based to differentiate between what is expected in low risk situations and what is expected in high risk situations and what is expected in situations which are neither high nor low risk;
- impose the least necessary burden on clients, beneficial owners and underlying principals consistent with meeting the requirements of the Regulations and Rules;
- not constrain access to prescribed, for example, by those without driving licences or passports; and
- deal sensibly and sensitively with special groups for whom special processes may be appropriate, for example, the elderly and students studying overseas.

94. Prescribed businesses must judge, on a risk-based approach, how much identification and verification information to ask for, what to verify, and how to verify, in order to be satisfied as to the identity of a client, beneficial owner or underlying principal.

95. For clients that are legal persons or legal arrangements, the prescribed business must:

- (i) verify the legal status of the legal person or legal arrangement; and
- (ii) obtain information concerning the client's name, the names of trustees (for trusts), legal form, address, directors (for legal persons), foundation officials (for foundations), and provisions regulating the power to bind the legal person or arrangement.

96. Where the individual (or business relationship to which he is connected) presents a high risk, a prescribed business must consider whether additional verification checks are necessary – see Chapter 5 on high risk relationships.

## 4.4 Identification and Verification of Clients who are Individuals

97. Sections 4.4 to 4.8 of this chapter provide rules and guidance on how to meet the identification and verification of identity requirements of Regulation 4.

98. Identification and verification of identity of a personal client is a two-part process. The client first identifies himself to the prescribed business, by supplying a range of personal information. Generally, this information will be provided on some type of application form and the information requested may be used for business purposes over and above verifying the identity of the client. The second part – the verification – consists of the prescribed business verifying some or all of this information through the use of identification data.

99. For business relationships or occasional transactions which have been identified as low risk see chapter 6.

### 4.4.1 Identification data for individuals

100. A prescribed business must, subject to section 6.2.1, collect relevant identification data on an individual, which includes:

- legal name, any former names (such as maiden name) and any other names used;
- principal residential address;
- date and place of birth;
- nationality;
- any occupation, public position held and, where appropriate, the name of the employer; and
- an official personal identification number or other unique identifier contained in an unexpired official document (for example, passport, identification card, residence permit, social security records, driving licence) that bears a photograph of the client.

### 4.4.2 Verification of identity – the individual

101. The legal name, address, date and place of birth, and nationality and official personal identification number of the individual must be verified.

102. In order to verify the legal name, date and place of birth, and nationality ~~and official personal identification number~~ of the individual, the following documents are considered to be the best possible, in descending order of acceptability:

- current passport (providing photographic evidence of identity);
- current national identity card (providing photographic evidence of identity);
- armed forces identity card.

103. The examples quoted above are not the only possibilities. There may be other documents of an equivalent nature which may be produced as satisfactory evidence of identity of the individual.

#### **4.4.3 Verification of identity – the address**

104. The following are considered to be suitable to verify the residential address of individuals:

- a bank/credit card statement or utility bill;
- correspondence from an independent source such as a central or local government department or agency (in Guernsey and Jersey this will include States departments, and parish authorities);
- commercial or electronic databases;
- a letter of introduction from an Appendix C business (see the definition in Appendix C to the Handbook) with which the individual has an existing business relationship and which confirms residential address;
- written communication from an Appendix C business (see the definition in Appendix C to the Handbook) in connection with a product or service purchased by the individual;
- lawyer's confirmation of property purchase, or legal document recognising title to property (low risk relationships and transactions only);
- a personal visit to the residential address; and
- an electoral roll.

105. For Guernsey residents and overseas residents who may encounter difficulties in providing evidence of their residential address, additional documents are listed in sections 4.4.4 and 4.5.3 respectively.

106. Identification data does not have to be in paper form. As well as documentary forms of verification, external electronic databases and other sources such as the internet, information published by government departments and law enforcement authorities, and subscription databases are accessible directly by prescribed businesses. The evidential value of electronic checks should depend on the assessed risk of the business relationship or occasional transaction.

107. Where a prescribed business is not familiar with the form of the evidence of identification data, it should take reasonable measures to satisfy itself that the evidence is genuine.

108. All key documents (or parts thereof) must be understood by an employee of the prescribed business, and must be translated into English at the reasonable request of the FIS or the Commission.

109. Where establishing a face-to-face business relationship with or undertaking an occasional transaction for a client who is an individual, reduced or simplified CDD may be carried out as set out in Regulation 6 – see chapter 6.

#### **4.4.4 Guarding against the financial exclusion of Guernsey residents**

110. Certain individuals may encounter difficulties in providing evidence of their Guernsey residential address using the sources identified above. Examples of such individuals include:
- seasonal workers who do not have a permanent residential address in Guernsey;
  - individuals living in Guernsey in accommodation provided by their employer, with family (for example, in the case of minors), or in care homes, who may not pay directly for utility services; or
  - Guernsey students living in university, college, school, or shared accommodation, who may not pay directly for utility services.
111. Where an individual has a valid reason for being unable to produce the requested documentation, and who would otherwise be excluded from accessing prescribed and products, identification procedures should provide for alternative means of verifying an individual's Guernsey residential address. The following are examples of alternative methods of verifying identity:
- a letter from the head of the household at which the individual resides confirming that the applicant lives at that Guernsey address, setting out the relationship between the applicant and the head of the household, together with evidence that the head of the household resides at the address;
  - a letter from the residential home or care home confirming residence of the applicant;
  - a certificate of lawful residence or a Housing Licence;
  - a letter from a director or manager of the Guernsey employer that confirms residence at a stated Guernsey address, and indicates the expected duration of employment. In the case of a seasonal worker, the worker's residential address in his country of origin should also be obtained and, if possible, also verified; or
  - in the case of a Guernsey student, a letter from a Guernsey resident parent or a copy of the acceptance letter for a place at the college/university. The student's residential address in Guernsey should also be obtained and, if possible, also verified.

#### **4.5 Non Resident Individual Clients**

112. In order to meet the requirements of Regulation 5 a prescribed business must take adequate measures to manage and mitigate the specific risks of business relationships or occasional transactions with a client who is not a Guernsey resident.

113. See Sections 6.2.1 and 6.2.2 for information on the provisions applicable to Guernsey residents who meet the criteria for reduced or simplified CDD measures to be applied.

#### 4.5.1 Adequate measures

114. A prescribed business must ensure that it takes adequate measures which include one or more of the following:
- requiring additional documents to complement those which are required for face-to-face clients;
  - development of independent contact with the client and other third parties responsible for the source of funds or company registrations, etc.;
  - third party introduction; or
  - requiring the first payment to be carried out through an account in the client's name with a bank situated in a country or territory listed in Appendix C to the Handbook.
115. In addition, where copy documentation is provided, a prescribed business must ensure that the copy documents have been certified by a suitable certifier.

#### 4.5.2 Suitable certifiers

116. Use of a certifier guards against the risk that identification data provided does not correspond to the individual whose identity is to be verified. For certification to be effective the certifier will need to have seen the original documentation and, where certifying evidence of identity containing a photograph, have met the individual in person. .
117. A prescribed business must give consideration to the suitability of a certifier based on the assessed risk of the business relationship or occasional transaction, together with the level of reliance being placed on the certified documents. The prescribed business must exercise caution when considering certified copy documents, especially where such documents originate from a country or territory perceived by the prescribed business to represent a high risk, or from unregulated entities in any country or territory.
118. Where certified copy documents are accepted, the prescribed business must satisfy itself, where possible, that the certifier is appropriate, for example, by satisfying itself that the certifier is not closely related to the person whose identity is being certified.
119. A suitable certifier must certify that he has seen original documentation verifying identity and residential address.
120. The certifier must also sign and date the copy identification data and provide adequate information so that contact can be made with the certifier in the event of a query.

### **4.5.3 Verification of residential address of overseas residents**

121. There may be occasions when an individual resident abroad is unable to provide evidence of his residential address using the means set out in section 4.4.3. Examples of such individuals include residents of countries without postal deliveries and no street addresses, who rely on post office boxes or employers for delivery of mail.
122. Where an individual has a valid reason for being unable to produce more usual documentation to verify residential address, and who would otherwise be excluded from establishing a business relationship with the prescribed business, satisfactory verification of address may be established by:
  - a letter from a director or officer of a reputable overseas employer that confirms residence at a stated overseas address (or provides detailed directions to locate a place of residence); or
  - any of the means provided in sections 4.4.3 and 6.2.2 without regard to any restrictions imposed on such documents.

## **4.6 Identification and Verification of Clients who are not Individuals**

123. The identification and verification requirements in respect of clients who are not individuals are different from those for individuals, as beneficial owners and underlying principals must also be identified. Although a client who is not an individual has a legal status which can be verified, each client also involves a number of individuals, whether as beneficial owners (or equivalent), directors (or equivalent) or underlying principals, who have the power to direct movement of the client's funds or assets.
124. As identified in the following paragraphs, certain information about the client must be obtained as a minimum requirement. In addition, on the basis of the assessed money laundering and terrorist financing risk of the particular client/product/service combination, a prescribed business must consider how the identity of the client and of specific individuals must be verified, and what additional information in respect of the entity must be obtained.

### **4.6.1 Legal bodies**

125. Legal body refers to bodies corporate, partnerships, associations or other bodies which are not natural persons or legal arrangements. Foundation relationships are dealt with separately – see section 4.6.2. Trust relationships and other legal arrangements are also dealt with separately – see sections 4.6.3 to 4.6.4.
126. Where a legal body is either a collective investment scheme regulated by the Commission or a legal body quoted on a regulated market or is a subsidiary of such, then a prescribed business may consider the legal body to be the principal to be identified and verified - see section 6.2.3.

127. Where a legal body which is not either a collective investment scheme regulated by the Commission or a legal body quoted on a regulated market is the client, beneficial owner or underlying principal a prescribed business must:

- identify and verify the identity of the legal body. The identity includes name, any official identification number, date and country or territory of incorporation if applicable;
- identify and verify any registered office address and principal place of business (where different from registered office) where the risk presented by the legal body is other than low;
- identify and verify the individuals ultimately holding a 25% or more interest in the capital or net assets of the legal body;
- identify and verify the individuals, including beneficial owners, underlying principals, directors, authorised signatories or equivalent, with ultimate effective control over the capital or assets of the legal body; and
- verify the legal status of the legal body.

128. When seeking to identify and verify the identity of beneficial owners, underlying principals, the directors and authorised signatories or equivalent in accordance with this section, reference should be made to the identification and verification requirements for personal clients – see sections 4.3, 4.4 and 4.5. It may be appropriate to consider directors with ultimate effective control as being those who have authority to operate an account or to give the prescribed business instructions concerning the use or transfer of funds or assets.

129. One or more of the following examples are considered suitable to verify the legal status of the legal body:

- a copy of the Certificate of Incorporation (or equivalent) if applicable;
- a company registry search, if applicable, including confirmation that the legal body has not been, and is not in the process of being, dissolved, struck off, wound up or terminated;
- a copy of the latest audited financial statements;
- a copy of the Memorandum and Articles of Association or equivalent constitutional documentation;
- a copy of the Directors' Register;
- a copy of the Shareholders' Register;
- independent information sources, including electronic sources, for example, business information services;
- a copy of the Board Resolution authorising the opening of the account and recording account signatories; and
- a personal visit to the principal place of business.

130. Where the documents provided are copies of the originals the prescribed business must ensure they are certified by the company secretary, director, manager or equivalent officer or by a suitable certifier.



131. Where the legal body (or any beneficial owner or underlying principal connected with the legal body) presents a high risk, a prescribed business must consider whether additional verification checks are appropriate, for example, obtaining additional information or documentation.

132. A general threshold of 25% is deemed to indicate effective control or ownership. Individuals having ultimate effective control over a legal body will often include directors or equivalent. In the case of partnerships, associations, clubs, societies, charities, church bodies, institutes, mutual and friendly societies, cooperative and provident societies, this will often include members of the governing body or committee plus executives. In the case of foundations, this will include members of the governing council of a foundation and any supervisors.

133. Powers of attorney and similar third party mandates must be given particular attention if there is no evident reason for granting them. In addition, an unnecessarily wide-ranging scope to the mandate must also be given particular attention. In any case, a prescribed business must obtain a copy of the power of attorney (or other authority or mandate) that provides the individuals representing the legal body with the right to act on its behalf and verification must be undertaken on the holders of the powers of attorney as well as the client. A prescribed business must also ascertain the reason for the granting of the power of attorney.

#### **4.6.2 Obligations of prescribed business dealing with foundations**

134. A prescribed business entering into a relationship with a client which is a foundation must:

- identify and verify the identity of the foundation. The identity includes name, any official identification number, date and country or territory of registration if applicable;
- identify and verify any registered office address and principal place of operation/administration (where different from the registered office);
- identify and verify the identity of any registered agent of the foundation unless they themselves are subject to the Handbook or are an Appendix C business (see the definition in Appendix C to the Handbook);
- verify the legal status of the foundation;
- require the registered agent, foundation officials or other relevant person to identify and notify it of the names of the underlying principals and beneficial owners, i.e.:
  - the founder(s);
  - all councillors;
  - any guardian;
  - any beneficiary including any default recipient; and
  - any other person with ultimate effective control over the capital or assets of the legal body; and
- understand the nature of the foundation structure and the nature and purpose



of activities undertaken by the structure sufficient to monitor such activities and to fully understand the business relationship.

135. Subject to paragraph 136 verification of the identity of beneficiaries must, be undertaken prior to any distribution of foundation assets to (or on behalf of) that beneficiary in accordance with the requirements of Regulation 7.
136. Where a relationship has been assessed as high risk, verification of the identity of any beneficiaries must, where possible, be undertaken at the time that the assessment of risk is made. Where it is not possible to do so (for example, because they are disenfranchised) the reasons must be documented.
137. Verification of the identity of the underlying principals and beneficial owners must be undertaken either by the prescribed business itself or, provided that the rules in section 4.9 of the Handbook are met, by requesting the registered agent, where one has been appointed, to provide identification data on them, by way of a certificate or summary sheet (see Appendix B for an example).
138. When identifying and verifying the identity of founders, foundation officials, beneficiaries and others in accordance with this section, prescribed businesses must act in accordance with the identification and verification requirements for clients who are individuals and legal bodies – see sections 4.4 and 4.6.1.

139. One or more of the following examples are considered suitable to verify the legal status of the foundation:

- a copy of the Certificate of Registration;
- a registry search, if applicable, including confirmation that the foundation has not been, and is not in the process of being, dissolved, struck off, wound up or terminated;
- a copy of the latest audited financial statements;
- a copy of the Charter; and
- a copy of the Council Resolution authorising the opening of the account and recording account signatories.

140. Where the documents provided are copies of the originals the prescribed business must ensure they are certified by a foundation official or by a suitable certifier.
141. Powers of attorney and similar third party mandates must be given particular attention if there is no evident reason for granting them. In addition, an unnecessarily wide-ranging scope to the mandate must also be given particular attention. In any case, a prescribed business must obtain a copy of the power of attorney (or other authority or mandate) that provides the individuals representing the foundation with the right to act on its behalf and verification must be undertaken on the holders of the powers of attorney as well as the client. A prescribed business must also ascertain the reason for the granting of the power of

attorney.

#### 4.6.3 Legal arrangements

142. There is a wide variety of trusts and other legal arrangements ranging from large, nationally and internationally active organisations subject to a high degree of public scrutiny and transparency, through to trusts set up under testamentary arrangements and trusts established for wealth management purposes.
143. Trusts do not have separate legal personality and therefore form business relationships through their trustees. It is the trustee of the trust who will enter into a business relationship on behalf of the trust and should be considered along with the trust as the client.

#### 4.6.4 Obligations of prescribed businesses dealing with trusts

144. A prescribed business entering a relationship with a client which is a trust must:
  - verify the legal status and the name and date of establishment of the trust;
  - verify the identity of the trustees of the trust unless they are themselves subject either to the Handbook or are operating from an Appendix C jurisdiction and are regulated and supervised for compliance with the FATF Recommendations;
  - require the trustee of the trust to identify and notify it of the names of the underlying principals and beneficial owners, i.e.:
    - the settlor(s) (the initial settlor(s) and any persons subsequently settling funds into the trust);
    - any protector(s) or trustee(s); and
    - any beneficiary with a vested interest or any person who is the object of a power; and
  - understand the nature of the trust structure and the nature and purpose of activities undertaken by the structure sufficient to monitor such activities and to fully understand the business relationship.
145. Verification of the identity of the underlying principals and beneficial owners must be undertaken either by the prescribed business itself or, provided that the rules in section 4.9 of the Handbook are met, by requesting the trustee to provide identification data on them, by way of a certificate or summary sheet (see Appendix B for an example).
146. Subject to paragraph 147 verification of the identity of beneficiaries or any persons who are the object of a power must be undertaken prior to any distribution of trust assets to (or on behalf of) that beneficiary in accordance with the requirements of Regulation 7.
147. Where a business relationship has been assessed, as a high risk relationship, verification of the identity of any beneficiaries must, where possible, be

undertaken at the time that the assessment of risk is made. Where it is not possible to do so the reasons must be documented.

148. When identifying and verifying the identity of trustees, beneficiaries and others in accordance with this section, prescribed businesses must act in accordance with the identification and verification requirements for clients who are individuals and legal bodies – see sections 4.4 and 4.6.1.

#### **4.7 Employee benefit schemes, share option plans or pension schemes**

149. Where the product or service is:

- an employee benefit scheme or arrangement;
- an employee share option plan;
- a pension scheme or arrangement
- a superannuation scheme; or
- a similar scheme where contributions are made by an employer or by way of deductions from wages and the scheme rules do not permit assignment of a member's interest under the scheme,

then the sponsoring employer, the trustee, the foundation council, and any other person who has control over the business relationship, for example, the administrator or the scheme manager is considered as the principal and must be identified and verified in accordance with the requirements of this chapter.

150. In these types of relationships the prescribed business should consider the person providing the source of funds as a factor when determining the risk classification to be given to the relationship.

#### **4.8 Acquisition of a Business or Block of Clients**

151. There are circumstances where a prescribed business may acquire a business with established business relationships or a block of clients, for example, by way of asset purchase.
152. Before taking on this type of business, in order to avoid breaching the Regulations, a prescribed business should undertake enquiries on the vendor sufficient to establish the level and the appropriateness of identification data held in relation to the clients and the business relationships of the business to be acquired.

153. Where deficiencies in the identification data held are identified (either at the time of transfer or subsequently), the accepting prescribed business must determine and implement a programme to remedy any such deficiencies.

## 4.9 Client Due Diligence Procedures for Introduced Business Relationships

154. Regulation 10 provides for the circumstances in which a prescribed business may place reliance on another regulated entity acting as an introducer to have verified the identity of the client, beneficial owners and any underlying principals.
155. An introduced business relationship is where either a financial services business or a prescribed business is acting on behalf of one or more third parties who are also its clients and establishes a business relationship on their behalf with a prescribed business.
156. Introducer relationships may be business relationships on behalf of a single third party or on behalf of more than one third party, including a pool of such persons.

157. When establishing an introducer relationship a prescribed business must satisfy itself that the introducer:
- has appropriate risk-grading procedures in place to differentiate between the CDD requirements for high and low risk relationships; and
  - conducts appropriate and effective CDD procedures in respect of its clients, including enhanced CDD measures for PEP and other high risk relationships.
158. In the circumstances set out in Regulation 10, a prescribed business relying upon a third party must immediately obtain written confirmation of identity from the introducer, by way of a certificate or summary sheet(s), detailing elements (a) – (d) of the CDD process (see below).
159. A prescribed business must take adequate steps to be satisfied that the introducer will supply, upon request without delay, certified copies or originals of the identification data and other evidence it has collected under the CDD process.

160. The CDD process referred to above in accordance with Regulation 4(3) includes the following elements:
- (a) identifying the client by name and verifying that client's identity using identification data;
  - (b) identifying any beneficial owner and underlying principal, (in the case of a trust, the beneficiaries as beneficial owners and the settlors, trustees and the protector as underlying principals) and taking reasonable measures to verify the identity of any beneficial owner or underlying principal by name such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and legal arrangements this includes financial institutions taking reasonable measures to understand the ownership and control structure of the client;
  - (c) determining whether the client is acting on behalf of another person and taking reasonable steps to obtain sufficient identification data to identify and verify the identity of that other person; and

- (d) obtaining information on the purpose and intended nature of the business relationship.

161. A prescribed business must recognise that introduced business by its very nature, for example, relying on a third party, has the capacity to be high risk and a prescribed business must use a risk-based approach when deciding whether it is appropriate to rely on a certificate or summary sheet from an introducer in accordance with Regulation 10 or whether it considers it necessary to do more.

162. A prescribed business must have a programme of testing to ensure that introducers are able to fulfil the requirement that certified copies or originals of the identification data will be provided upon request and without delay. This will involve prescribed businesses adopting ongoing procedures to ensure they have the means to obtain that identification data and documentation.

163. In accordance with the Regulations the ultimate responsibility for client identification and verification will remain, as always, with the prescribed business relying on the introducer.

164. A template certificate which may be used by prescribed businesses for introduced business is contained within Appendix B.

#### **4.9.1 Group introducers**

165. Where a client is introduced by one part of a prescribed group to another, it is not necessary for his identity to be re-verified, provided that:

- the requirements of Regulation 10 are satisfied;
- as a minimum, the prescribed business receives a written confirmation from the group introducer in accordance with the requirements for introduced business as detailed in section 4.9 above;
- the prescribed business takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to CDD requirements will be made available upon request without delay. This requirement would be satisfied if the prescribed business has access to the information electronically on the group's database.

166. Group introduced business must not be regarded as intrinsically low risk. As identified in section 4.9 a prescribed business must use a risk-based approach when deciding whether it is appropriate to rely on a certificate or summary sheet from a group introducer or whether it considers it necessary to do more bearing in mind that, ultimately, the responsibility for client identification and verification will remain, as always, with the prescribed business relying on the introducer.

#### **4.10 Timing of Identification and Verification of Identity**

167. Regulation 7 prescribes the timing for identification and verification of identity.

168. When the circumstances are such that verification of identity of clients, beneficial

owners and underlying principals may be completed following the establishment of the business relationship or after carrying out the occasional transaction, a prescribed business must have appropriate and effective policies, procedures and controls in place so as to manage the risk which must include:

- establishing that it is not a high risk relationship;
- monitoring by senior management of these business relationships to ensure verification of identity is completed as soon as reasonably practicable;
- ensuring funds received are not passed to third parties; and
- establishing procedures to limit the number, types and/or amount of transactions that can be undertaken.

169. An example of where an occasional transaction may be carried out prior to the verification of the identity of a client would be in respect of property auctions where the identity of the purchaser is not known until the bid has been accepted by the auctioneer.

170. A prescribed business should be aware that there may be occasions where the circumstances are such that the business relationship has been established or the occasional transaction has been carried out and the identification and verification procedures cannot be completed. In such circumstances a prescribed business should refer to section 4.11 of the Handbook.

#### **4.10.1 Occasional transactions**

171. If identity is known, verification of identity is not required in the case of occasional transactions (whether single or linked), below the threshold in the Regulations, unless at any time it appears that two or more transactions, which appear to have been small one-off transactions, are in fact linked and constitute a significant one-off transaction.

#### **4.10.2 Existing Customers**

172. In order to meet the requirements of Regulation 8 prescribed businesses must ensure that all business relationships are maintained in a manner which facilitates the meeting of the requirements of the Regulations.

173. An estate agent acting, in the course of a business, on behalf of others in the acquisition or disposal of real property or any interest therein, a lawyer, notary or other independent legal professional when they prepare for or carry out transactions for a client, in relation to the following activities –

- (a) The acquisition or disposal of real property or any interest therein;
- (b) The management of client money, securities or other assets;
- (c) The management of bank, savings or securities accounts;
- (d) The organisation of contributions for the creation, operation management or administration of companies; or

(e) The creation, operation or management or administration of legal persons or arrangements, and the acquisition or disposal of business entities,

and anyone carrying out the business of auditor, external accountant, insolvency practitioner or tax adviser must ensure that its policies, procedures and controls in place in respect of existing business relationships are appropriate and effective and provide for:

- the level of CDD to be appropriate to the assessed risk of the business relationship;
- the level of CDD, where the business relationship has been identified as a high risk relationship (for example, a PEP relationship), to be sufficient to allow the risk to be managed;
- the business relationship to be understood; and
- the application of such policies, procedures and controls to be based on materiality and risk.

174. A prescribed business should be aware that, in accordance with chapters 5 and 6 of the Handbook, enhanced CDD is required for a business relationship which has been identified as a high risk relationship and that where a business relationship has been assessed as being a low risk relationship (for example, locally resident retail customers who have a business relationship which is understood by the prescribed business), the information required may be less extensive than that required for new clients.

#### **4.11 Failure to Complete Client Due Diligence Procedures**

175. When a prescribed business has been unable, within a reasonable time frame, to complete CDD procedures in accordance with the requirements of the Regulations and the Handbook it must assess the circumstances and ensure that the appropriate action is undertaken as required by Regulation 9.

176. It is recognised that the immediate termination of a business relationship might not be possible due to contractual or legal reasons outside the control of the prescribed business. In such circumstances a prescribed business must ensure that the risk is managed and mitigated effectively until such time as termination of the relationship is possible.

177. A prescribed business must ensure that where funds have already been received they are returned to the source from which they were originally received (regardless of whether the source is the client or a third party). Where this is not possible, (for instance because the originating bank account has been closed), funds must be paid to an account in the name of the client.

## CHAPTER 5 – HIGH RISK RELATIONSHIPS

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## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 3, which provides for a prescribed business to identify and assess the risks of money laundering and terrorist financing and to ensure that its policies, procedures and controls are effective and appropriate to the assessed risk. See chapter 3.
- Regulation 4, which provides for the required client due diligence measures, when they should be applied and to whom they should be applied. See chapter 4.
- Regulation 5, which provides for enhanced client due diligence measures in respect of business relationships and occasional transactions which are identified as high risk. See below.
- Regulation 8, which makes provisions in relation to anonymous accounts. See chapter 4.
- Regulation 15, which makes provisions in relation to the review of compliance. See chapter 2.

### Regulation 5

5.(1) Where a prescribed business is required to carry out client due diligence, it must also carry out enhanced client due diligence in relation to the following business relationships or occasional transactions –

- (a) a business relationship or occasional transaction in which the client or any beneficial owner or underlying principal is a politically exposed person,
- (b) a business relationship or an occasional transaction -
  - (i) where the client is established or situated in a country or territory that does not apply or insufficiently applies the Financial Action Task Force Recommendations on Money Laundering, or
  - (ii) which the prescribed business considers to be a high risk relationship, taking into account any notices, instructions or warnings issued from time to time by the Commission, and
- (c) a business relationship or an occasional transaction which has been assessed as a high risk relationship under regulation 3(2)(a).

(2) In paragraph (1) -

- (a) “**enhanced client due diligence**” means -
  - (i) obtaining senior management approval for establishing a business relationship or undertaking an occasional transaction;
  - (ii) obtaining senior management approval for, in the case of an existing business relationship with a politically exposed person, continuing that relationship;

- (iii) taking reasonable measures to establish the source of any funds and of the wealth of the client and beneficial owner and underlying principal;
- (iv) carrying out more frequent and more extensive ongoing monitoring in accordance with regulation 11; and
- (v) taking one or more of the following steps as would be appropriate to the particular business relationship or occasional transaction-
  - (A) obtaining additional identification data;
  - (B) verifying additional aspects of the client's identity; and
  - (C) obtaining additional information to understand the purpose and intended nature of each business relationship.

(b) **“politically exposed person”** means -

- (i) a person who has, or has had at any time, a prominent public function or who has been elected or appointed to such a function in a country or territory other than the Bailiwick including, without limitation -
  - (A) heads of state or heads of government,
  - (B) senior politicians and other important officials of political parties,
  - (C) senior government officials,
  - (D) senior members of the judiciary,
  - (E) senior military officers, and
  - (F) senior executives of state owned body corporates,
- (ii) an immediate family member of such a person including, without limitation, a spouse, partner, parent, child, sibling, parent-in-law or grandchild of such a person and in this subparagraph **“partner”** means a person who is considered by the law of the country or territory in which the relevant public function is held as being equivalent to a spouse, or
- (iii) a close associate of such a person, including, without limitation -
  - (A) a person who is widely known to maintain a close business relationship with such a person, or
  - (B) a person who is in a position to conduct substantial financial transactions on behalf of such a person.

- (4) Where the client was not a Guernsey resident when a prescribed business carried out an activity set out in regulation 4(2)(a) or (b), a prescribed business must take adequate measures to compensate for the specific risk arising as a result -
  - (a) when carrying out client due diligence, and
  - (b) where the activity was establishing a business relationship, when carrying out monitoring of that relationship pursuant to regulation 11.

## 5 HIGH RISK RELATIONSHIPS

A prescribed business must comply with the Rules in addition to the Regulations. The Rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations.

### 5.1 Objectives

178. This chapter provides for the treatment of business relationships and occasional transactions which have been assessed as high risk and should be read in conjunction with chapter 3 of the Handbook, which provides guidance on the assessment of risk and with chapter 4 which provides for the standard CDD requirements.

### 5.2 Enhanced Policies, Procedures and Controls

179. Where a prescribed business has assessed, taking into account the high risk indicators provided in Chapter 3, that the business relationship or occasional transaction is a high risk relationship – whether because of the nature of the client, the business relationship, or its location, or because of the delivery channel or the product/service features available – the prescribed business must ensure that its policies, procedures and controls require enhanced CDD measures to be undertaken as required in Regulation 5.

### 5.3 Politically Exposed Persons

180. As required by Regulation 4 when carrying out CDD a determination must be made by the prescribed business as to whether the client, beneficial owner and any underlying principal is a PEP.

181. Where a prescribed business has determined that the business relationship or occasional transaction is one where the client or any beneficial owner or underlying principal is a PEP, the prescribed business must ensure that it has appropriate and effective policies, procedures and controls in place to ensure compliance with the enhanced due diligence requirements of Regulation 5.

182. In order to determine whether a client, beneficial owner or underlying principal is a PEP, a prescribed business must consider:

- assessing countries which pose the highest risk of corruption – one source of information is the Transparency International Corruption Perception Index;
- establishing who are the current and former holders of prominent public functions within those high risk countries and determining, as far as is reasonably practicable, whether or not clients, beneficial owners or underlying principals have any connections with such individuals – the UN,

- the European Parliament, the UK Foreign and Commonwealth Office, the Group of States Against Corruption may be useful information sources; and
- using commercially available databases.

Website addresses for the above authorities and other useful website links are provided in Appendix G.

### **5.3.1 Source of funds and source of wealth**

183. The source of funds refers to the activity which generates the funds for a business relationship or occasional transaction. Source of wealth is distinct from source of funds, and describes the activities which have generated the total net worth of a person both within and outside a business relationship, i.e. those activities which have generated a client's net assets and property.
184. Understanding the client's source of funds and source of wealth are important aspects of CDD especially in relationships with PEPs.

185. A prescribed business must, in establishing the source of any funds or wealth, consider and document its consideration of the risk implications of the source of the funds and wealth and the geographical sphere of the activities that have generated a client's source of funds and/or wealth.

## **5.4 Countries or Territories that Do Not or Insufficiently Apply the FATF Recommendations and other High Risk Countries or Territories**

186. In addition to the enhanced CDD measures required by Regulation 5 for high risk relationships, prescribed businesses must give special attention to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries or territories that do not or insufficiently apply the FATF Recommendations and from other countries or territories closely associated with illegal drug production/processing or trafficking, corruption, terrorism, terrorist financing and other organised crime.

187. Prescribed businesses must:

- ensure they are aware of concerns about weaknesses in the AML/CFT systems of other countries or territories;
- identify transactions which (in the context of business relationships and occasional transactions) have no apparent economic or visible lawful purpose and examine the background and purpose of such transactions; and
- record in writing the findings of such examinations in order to assist the Commission, the FIS, other domestic competent authorities and auditors.

188. When determining which countries or territories these policies, procedures and controls should apply to, a prescribed business must consider:

- Business from Sensitive Sources Notices and Instructions issued from time to

time by the Commission;

- findings of reports issued by the FATF, FATF-style regional bodies, FATF associate members such as Moneyval and Asia Pacific Group, the Offshore Group of Banking Supervisors, Transparency International, the International Monetary Fund and the World Bank;
- situations where the country or territory has not been the subject of an AML/CFT assessment; and
- its own experience or the experience of other group entities (where part of a multinational group), which may have indicated weaknesses or trends in other countries or territories.

## **CHAPTER 6 – LOW RISK RELATIONSHIPS**

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## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 3, which provides for a prescribed business to identify and assess the risks of money laundering and terrorist financing and to ensure that its policies, procedures and controls are effective and appropriate to the assessed risk. See chapter 3.
- Regulation 4, which provides for the required client due diligence measures, when they should be applied and to whom they should be applied. See chapter 4.
- Regulation 6, which provides for reduced or simplified client due diligence measures to be applied to business relationships which have been identified as being low risk relationships. See below.
- Regulation 15, which makes provisions in relation to the review of compliance. See chapter 2.

### **Regulation 6**

6.(1) Where a prescribed business is required to carry out client due diligence in relation to a business relationship or occasional transaction which has been assessed as a low risk relationship pursuant to regulation 3(2)(a), it may, subject to the following provisions of this regulation apply reduced or simplified client due diligence measures.

(2) The discretion in paragraph (1) may only be exercised -

(a) in accordance with the requirements set out in chapter 6 of the Handbook, and

(3) For the avoidance of doubt, simplified or reduced client due diligence shall not be applied -

(a) where the prescribed business knows or suspects or has reasonable grounds for knowing or suspecting that any party to a business relationship or any beneficial owner or underlying principal is engaged in money laundering or terrorist financing, or

(b) in relation to business relationships or occasional transactions where the risk is other than low.

## 6 LOW RISK RELATIONSHIPS

A prescribed business must comply with the Rules in addition to the Regulations. The Rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations.

### 6.1 Objectives

189. This chapter provides for the treatment of relationships and occasional transactions which have been assessed pursuant to Regulation 3 as low risk and should be read in conjunction with chapter 3 of the Handbook, which provides guidance on the assessment of risk and with chapter 4 which provides for the standard CDD requirements.

### 6.2 Simplified or Reduced CDD Measures

190. The general rule is that business relationships and occasional transactions are subject to the full range of CDD measures as identified in chapter 4 of the Handbook, including the requirement to identify and verify the identity of the client, beneficial owners and any underlying principals. Nevertheless, there are circumstances where the risk of money laundering or terrorist financing has been assessed as being low (for example, a locally resident retail client purchasing a low risk product where the purpose and intended nature of the business relationship or occasional transaction is clearly understood by the prescribed business and where no aspect of the business relationship or occasional transaction is considered to carry a high risk of money laundering or terrorist financing), or where information on the identity of the client, beneficial owners and underlying principals is publicly available, or where adequate checks and controls exist elsewhere in national systems.
191. In such circumstances a prescribed business may consider applying simplified or reduced CDD measures when identifying and verifying the identity of the client, beneficial owners and underlying principals.

192. A prescribed business must ensure that when it becomes aware of circumstances which affect the assessed risk of the business relationship or occasional transaction, a review of the CDD documentation and information held is undertaken to determine whether it remains appropriate to the revised risk of the business relationship or occasional transaction.

193. Where a prescribed business has taken a decision to apply reduced or simplified CDD measures, documentary evidence must be retained which reflects the reason for the decision.

194. The possibility of applying simplified or reduced CDD measures does not remove from the prescribed business its responsibility for ensuring that the level of CDD required is proportionate to the risk.



195. A prescribed business must ensure that where the risk has been assessed as anything other than low that simplified or reduced CDD measures are not applied.

### **6.2.1 Identification data for Guernsey residents**

196. Where establishing a business relationship with or undertaking an occasional transaction for an individual client who is a Guernsey resident and the requirements for the application of simplified or reduced CDD measures, as set out above are met, a prescribed business must obtain at a minimum the following information in relation to an individual client:

- legal name, any former names (such as maiden name) and any other names used;
- principal residential address;
- date of birth; and
- nationality.

### **6.2.2 Verification of identity for Guernsey residents**

197. Subject to section 6.3, the legal name and either the principal residential address or the date of birth of the individual must be verified.

198. In order to verify the legal name and either the principal residential address or date of birth, any one of the following documents is considered to be appropriate:

- current passport (providing photographic evidence of identity);
- current national identity card (providing photographic evidence of identity);
- armed forces identity card;
- current driving licence incorporating photographic evidence of identity;
- birth certificate in conjunction with a verification document listed in section 4.4.3;
- independent data sources (including electronic sources).

199. When relying on independent data sources to verify identity a prescribed business must ensure that the source, scope and quality of that data are suitable and sufficient and that the process provides for the information to be captured and recorded by the prescribed business.

### **6.2.3 Legal bodies quoted on a regulated market**

200. In order for a prescribed business to consider the legal body as the principal to be identified, it must obtain documentation which confirms:

- the legal body is a collective investment scheme regulated by the Commission; or
- the legal body is quoted on a regulated market (or is a wholly owned subsidiary of such a legal body); and

must identify and verify authorised signatories who have authority to operate an account or to give the prescribed business instructions concerning the use or transfer of funds or assets.

#### **6.2.4 Appendix C business**

201. When the client has been identified as an Appendix C business (see the definition in Appendix C to the Handbook), and the purpose and intended nature of the relationship is understood, verification of the identity of the Appendix C business is not required. However, if the Appendix C business is acting for underlying principals then those underlying principals must be identified and their identity verified in accordance with the requirements of the Handbook.

202. Where a person authorised to act on behalf of a legal body or legal arrangement is acting in the course of employment by an Appendix C business (see definition in Appendix C to the Handbook), it is not necessary to identify and verify the identity of such persons. One such example would be a director (or equivalent) of a Guernsey fiduciary which is acting as trustee.

### **6.3 Receipt of Funds as Verification of Identity**

203. Where the client, beneficial owner and any underlying principal have been identified, the relationship or occasional transaction is considered to be low risk and the receipt of funds is considered to provide a satisfactory means of verifying identity, the prescribed business must ensure that:

- all initial and future funds are received from an Appendix C business (see the definition in Appendix C to the Handbook);
- all initial and future funds come from an account in the sole or joint name of the client or underlying principal;
- payments may only be paid to an account in the client's name or in respect of real estate transactions to an account in the name of the vendor of the property or in the name of the legal professional acting on behalf of the purchaser;
- no changes are made to the product or service that enable funds to be received from or paid to third parties; and
- no cash withdrawals are permitted other than by the client or underlying principal on a face-to-face basis where identity can be confirmed and in the case of significant cash transactions, reasons for cash withdrawal are verified.

204. A prescribed business must retain documentary evidence to demonstrate the reasonableness of its conclusion that the relationship being established or the occasional transaction being undertaken presents a low risk of money laundering and terrorist financing.

205. A prescribed business must ensure that, once a relationship has been established, should any of the above conditions no longer be met then verification of identity is carried out in accordance with chapter 4 of the Handbook.

206. Should a prescribed business have reason to suspect the motives behind a particular transaction or believe that the business is being structured to avoid the standard identification requirements, it must ensure that receipt of funds is not used to verify the identity of the client, beneficial owner or underlying principal.

## **CHAPTER 7 – MONITORING TRANSACTIONS AND ACTIVITY**

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## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 11, which provides for the monitoring of transactions and other activity and also for conducting ongoing due diligence. See below.
- Regulation 15, which makes provisions in relation to the review of compliance. See chapter 2.

### **Regulation 11**

11. (1) A prescribed business shall perform ongoing and effective monitoring of any existing business relationship, which shall include-
- (a) reviewing identification data to ensure it is kept up to date and relevant in particular for high risk relationships or clients in respect of whom there is a high risk,
  - (b) scrutiny of any transactions or other activity, paying particular attention to all -
    - (i) complex transactions,
    - (ii) transactions which are both large and unusual, and
    - (iii) unusual patterns of transactions,which have no apparent economic purpose or no apparent lawful purpose, and
  - (c) ensuring that the way in which identification data is recorded and stored is such as to facilitate the ongoing monitoring of each business relationship.
- (2) The extent of any monitoring carried out under this regulation and the frequency at which it is carried out shall be determined on a risk sensitive basis including whether or not the business relationship is a high risk relationship.

## **7 MONITORING TRANSACTIONS AND ACTIVITY**

A prescribed business must comply with the Rules in addition to the Regulations. The Rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations.

### **7.1 Objectives**

207. This chapter deals with the requirement for a prescribed business to monitor business relationships and to apply scrutiny of unusual, complex or high risk transactions or activity so that money laundering or terrorist financing may be identified and prevented. This may involve requesting additional client due diligence information.

### **7.2 Monitoring Business Relationships and Recognising Suspicious Transactions and Activity**

208. An unusual transaction or activity may be in a form that is inconsistent with the expected pattern of activity within a particular business relationship, or with the normal business activities for the type of product or service that is being delivered. This may indicate money laundering or terrorist financing activity where the transaction or activity has no apparent economic or visible lawful purpose.

209. Monitoring of the activity of a business relationship must be carried out on the basis of a risk-based approach, with high risk relationships being subjected to an appropriate frequency of scrutiny, which must be greater than may be appropriate for low risk relationships.

210. Transactions and activity to or from jurisdictions specified in the Business from Sensitive Sources Notices and Instructions issued by the Commission, must be subject to a greater level of caution and scrutiny.

211. Scrutiny of transactions and activity must be undertaken throughout the course of the business relationship to ensure that the transactions and activity being conducted are consistent with the prescribed business' knowledge of the client, their business, source of funds and source of wealth.

212. A prescribed business must consider the possibility for legal persons and legal arrangements to be used as vehicles for money laundering and terrorist financing.

213. A prescribed business when monitoring complex, unusual and large transactions or unusual patterns of transactions must examine the background and purpose of such transactions and record such findings in writing.

214. The provision of sufficient and appropriate information and training for staff enables them to recognise potential money laundering and terrorist financing

transactions and other activity. Staff screening and training are covered in chapter 9.

215. Reporting of knowledge, suspicion or reasonable grounds for suspicion of money laundering and terrorist financing is addressed in chapter 8.

### **7.3 Computerised/Manual Monitoring Methods and Procedures**

216. Ongoing monitoring of business relationships, including the transactions and other activity carried out as part of that relationship, either through manual procedures or computerised systems, is one of the most important aspects of effective ongoing CDD procedures. A prescribed business can usually only determine when it might have reasonable grounds for knowing or suspecting that money laundering or terrorist financing is occurring if they have the means of assessing when a transaction or activity falls outside their expectations for a particular business relationship. The type of monitoring procedures introduced will depend on a number of factors, including the size and nature of the prescribed business and the complexity and volume of the transactions or activity.
217. Exception procedures and reports can provide a simple but effective means of monitoring all transactions to or from and activity involving:
- particular geographical locations;
  - particular products/services/accounts; or
  - any transaction or activity that falls outside of predetermined parameters within a given time frame.
218. Prescribed businesses should tailor the parameters to the nature and level of their transactions and activity and to the assessed risk of the business relationships that are being monitored.
219. The ongoing nature of the advice and services provided by the legal profession means that automated transaction monitoring systems alone are generally inappropriate and that the individuals working with the client are in a better position to identify and detect changes in the type of work or the nature of the client's activities, particularly given that the legal professional's knowledge of the client and its business is developed through a longer term relationship.
220. Some services provided by the accountancy profession are transacted on a one-off basis, without a continuing relationship with the client. However, many of the professional services do put them in a relatively good position to encounter and recognise suspicious activities carried out by their clients or by their client's business associates, through their inside knowledge of and access to the client's records and management processes, as well as through close working relationships with senior managers and owners.
221. It is recognised that within the estate agency sector the requirement for monitoring will be much less than that required by the legal or accountancy professions. This is due to the majority of transactions undertaken by the estate agents being occasional transactions rather than through established business relationships.

## 7.4 Ongoing Client Due Diligence

222. The requirement to conduct ongoing CDD ensures that a prescribed business is aware of any changes in the development of the business relationship. The extent of the ongoing CDD measures must be determined on a risk sensitive basis but a prescribed business must bear in mind that as the business relationship develops, the risk of money laundering or terrorist financing may change.

223. It should be noted that it is not necessary to re-verify or obtain current documentation unless an assessment has been made that the identification data held is not adequate for the assessed risk of the business relationship or there are doubts about the veracity of the information already held. For example, where there is a material change in the way that the business relationship is being operated, which is not consistent with the profile of the relationship.

224. In order to reduce the burden on clients in low risk business relationships, trigger events, for example, the opening of a new account or the purchase of a further product, may present a convenient opportunity to review the CDD information held.



## **CHAPTER 8 – REPORTING SUSPICION**

### **Key Regulations**

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## ADDITIONAL LEGISLATION

In addition to the Regulations, rules and guidance in the Handbook there are four other pieces of legislation which have specific requirements with regard to the reporting and disclosure of suspicions.

Prescribed businesses must comply with the relevant provisions of the Disclosure (Bailiwick of Guernsey) Law, 2007, the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002, the Disclosure (Bailiwick of Guernsey) Regulations, 2007 and the Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007. Prescribed businesses should note that the Court will take account of the Rules and also of the Guidance provided in the Handbook in considering compliance with the disclosure requirements of this legislation and the Regulations.

The requirements of the legislation to which the rules and guidance in this chapter particularly relate are:

The Disclosure (Bailiwick of Guernsey) Law, 2007

Section 1 and 2 of the Disclosure (Bailiwick of Guernsey) Law, 2007.

<http://www.guernseylegalresources.gg/CHttpHandler.ashx?id=71019&p=0>

The Disclosure (Bailiwick of Guernsey) Regulations, 2007.

<http://www.guernseylegalresources.gg/CHttpHandler.ashx?id=73344&p=0>

The Disclosure (Bailiwick of Guernsey) (Amendment) Regulations, 2014.

<http://www.guernseyfiu.gov.gg/CHttpHandler.ashx?id=90483&p=0>

The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002.

<http://www.guernseylegalresources.gg/CHttpHandler.ashx?id=70911&p=0>

Sections 15 and 15A of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002.

The Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007.

<http://www.guernseylegalresources.gg/CHttpHandler.ashx?id=73347&p=0>

The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Regulations, 2014.

<http://www.guernseyfiu.gov.gg/CHttpHandler.ashx?id=90482&p=0>

## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 12, which provides for the reporting and disclosing of suspicion. See below.
- Regulation 15, which makes provisions in relation to the review of compliance. See chapter 2.

### Regulation 12

12. A prescribed business shall –

- (a) appoint a person of at least management level as the money laundering reporting officer and provide the name and title of that person to the Commission and the Financial Intelligence Service as soon as is reasonably practicable and, in any event, within fourteen days starting from the date of that person's appointment,
- (b) nominate another person (a **"nominated officer"**) to carry out the functions of the money laundering officer in his absence, and ensure that any relevant employee is aware of the name of that nominated officer,
- (c) ensure that where a relevant employee, other than the money laundering reporting officer, is required to make a disclosure under Part I of the Disclosure Law or section 12 of the Terrorism Law, that this is done by way of a report to the money laundering reporting officer, or, in his absence, to a nominated officer,
- (d) ensure that the money laundering reporting officer, or in his absence a nominated officer, in determining whether or not he is required to make a disclosure under Part I of the Disclosure Law or section 12 of the Terrorism Law, takes into account all relevant information,
- (e) ensure that the money laundering reporting officer, or, in his absence, a nominated officer, is given prompt access to any other information which may be of assistance to him in considering any report, and
- (f) ensure that it establishes and maintains such other appropriate and effective procedures and controls as are necessary to ensure compliance with requirements to make disclosures under Part I of the Disclosure Law and section 12 of the Terrorism Law.

## 8 REPORTING SUSPICION

A prescribed business must comply with the rules in addition to the Regulations. The rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations

### 8.1 Objectives

225. This chapter outlines the statutory provisions concerning disclosure of information, the policies, procedures and controls necessary for reporting and disclosing suspicion and the provision of information on the reporting and the disclosing of suspicion.
226. References in this chapter to a transaction or activity include an attempted or proposed transaction or activity.
227. References in this chapter to a transaction or activity also include attempted transaction, attempted activity and attempts or proposals to enter into a business relationship or to undertake an occasional transaction.
228. References in this chapter to any suspicion are references to suspicion of either money laundering or terrorist financing.

### 8.2 Obligation to Report

229. A suspicion may be based upon a transaction or activity which is inconsistent with a client's known legitimate business, activities or lifestyle or with the normal business for that type of product/service.
230. It follows that an important precondition of recognition of a suspicious transaction or activity is for the prescribed business to know enough about the business relationship and occasional transaction to recognise that a transaction or activity is unusual. Such knowledge would arise mainly from complying with the monitoring and ongoing customer due diligence requirements in Regulation 11 – see chapter 9. Suspicion need not only be based on transactions or activities within the business relationship, but also on information from other sources, including law enforcement agencies, other government bodies, the media, intermediaries, or the client himself.

231. A prescribed business must establish appropriate and effective policies, procedures and controls in order to facilitate compliance with the reporting requirements of the Regulations and the relevant enactments to ensure that:

- each suspicion is reported to the MLRO regardless of the amount involved and regardless of whether, amongst other things, it is thought to involve tax matters in a manner sufficient to satisfy the statutory obligations of the employee;
- the MLRO promptly considers each such internal suspicion report and determines whether it results in there being knowledge or suspicion or reasonable grounds for knowing or suspecting that someone is engaged in money laundering or terrorist financing;
- where the MLRO has determined that an internal suspicion report does result in there being such knowledge or suspicion or reasonable grounds for so knowing or suspecting that he discloses that suspicion of money laundering or terrorist financing to the FIS – see section 8.4; and
- where, during the CDD process, a prescribed business knows or suspects that someone is engaged in money laundering or terrorist financing a disclosure is made to the FIS.

232. The Board of a prescribed business and all relevant employees should appreciate and understand the significance of what is often referred to as the objective test of suspicion. It is a criminal offence for anyone employed by a prescribed business to fail to report where they have knowledge, suspicion or reasonable grounds for knowledge or suspicion that another person is laundering the proceeds of any criminal conduct or is carrying out terrorist financing.

233. What may constitute reasonable grounds for knowledge or suspicion will be determined from facts or circumstances from which an honest and reasonable person engaged in a prescribed business would have inferred knowledge or formed the suspicion that another was engaged in money laundering or terrorist financing.

234. A transaction or activity which appears unusual, is not necessarily suspicious. An unusual transaction or activity is, in the first instance, likely to be a basis for further enquiry, which may in turn require judgement as to whether it is suspicious. For example, an out of the ordinary transaction or activity within a business relationship should prompt the prescribed business to conduct enquiries about the transaction or activity – see section 8.7 on tipping off.

235. There may be a number of reasons why the prescribed business is not entirely happy with CDD information or where the prescribed business otherwise needs to ask questions. Enquiries of their client should be made where the prescribed business has queries, regardless of their level of suspicion, to either assist them in formulating a suspicion, or conversely to negate it, having due regard to the tipping off provisions.

236. Although a prescribed business is not expected to conduct the kind of investigation carried out by law enforcement agencies, it must act responsibly and ask questions to satisfy any gaps in the CDD or its understanding of a particular transaction or activity or proposed transaction or activity.

### 8.3 Internal Reporting

237. A prescribed business must have appropriate and effective internal reporting policies, procedures and controls to ensure that:

- all employees of the prescribed business know to whom within the business and in what format their suspicions must be reported;
- all suspicion reports are considered by the MLRO and where the MLRO makes a decision not to make a disclosure to the FIS, the reasons for the decision not to disclose are documented and retained; and
- once a disclosure has been made to the FIS, the MLRO immediately informs the FIS where subsequent, relevant information or documentation is received.

238. An example of an internal reporting form is set out in Appendix D1.

### 8.4 Form and Manner of Disclosing to the FIS

239. Prior to making a disclosure to the FIS the prescribed business should consider all available options in respect of the business relationship or occasional transaction.

240. Reports of suspicion of money laundering (including drug money laundering) must be disclosed under the provisions of the Disclosure (Bailiwick of Guernsey) Law, 2007 and suspicions relating to terrorism must be disclosed under the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 as amended. Both of these laws require that information contained in internal reports made to a MLRO is disclosed to the FIS where the MLRO knows or suspects or has reasonable grounds for knowing or suspecting as a result of the report, that a person is engaged in money laundering or terrorist financing.

241. Regulations made under the provisions of the Disclosure Law and of the Terrorism and Crime Law prescribe the manner and form of disclosure. The Disclosure (Bailiwick of Guernsey) (Amendment) Regulations, 2011 and the Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Regulations, 2011 provide that disclosures are to be made through the online reporting facility available on the website of the Financial Investigation Unit at [www.guernseyfiu.gov.gg](http://www.guernseyfiu.gov.gg). A copy of the prescribed online form is set out in Appendix D2.

242. The prescribed business should provide as much information and documentation (for example, statements, contract notes, correspondence, minutes, transcripts, etc.) as possible to demonstrate why suspicion has been raised and to enable the FIS to fully understand the purpose and intended nature of the business relationship or occasional transaction.

243. When considering the provision of information to the FIS a prescribed business should be aware of the Disclosure (Bailiwick of Guernsey) Law, 2007 and the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002. These laws provide that a disclosure made in good faith to a prescribed police officer does not contravene any obligation as to confidentiality or other restriction on the disclosure of information imposed by statute, contract or otherwise. Additionally, both laws provide that disclosures made under them include disclosure of any information or document relating to the knowledge, suspicion or reasonable grounds for suspicion that the person in respect of whom the disclosure is made is engaged in money laundering, and any fact or matter upon which such knowledge, suspicion or reasonable grounds for suspicion is based.

For the purposes of the above paragraph information or document includes any information or document relating to –

- a) any money or property;
- b) any transaction concerning such money or property; and
- c) the parties to any such transaction.

244. Where the MLRO considers that a disclosure should be made urgently (for example, where the client's prescribed product is already part of a current investigation), initial notification to the FIS may be made by telephone.

245. In addition to the requirements of Regulation 14 for the keeping of records of internal reports a prescribed business must also maintain a register of all disclosures made to the FIS pursuant to this paragraph. Such register must contain details of:

- the date of the disclosure;
- the person who made the disclosure;
- the person(s) to whom the disclosure was forwarded; and
- a reference by which supporting evidence is identifiable.

246. To aid communication with the FIS, it may be useful for a prescribed business to cross reference its files with the reference number provided by the FIS.

247. The register of disclosures should be reviewed and updated periodically to reflect the current position of each disclosure and of the business relationship. The prescribed business should, at the time of the review, consider whether further communication with the FIS is appropriate.

248. A prescribed business must consider whether the nature of the particular suspicion which has been triggered is such that all the assets of the business relationship are potentially suspect. Where it is not possible to separate the assets which are suspicious from the legitimate funds, it will be necessary to carefully consider all future transactions or activities, and the nature of the continuing relationship and to implement an appropriate risk based strategy.

249. It is for each prescribed business (or group) to consider whether (in addition to any disclosure made in Guernsey) the MLRO should report suspicions within the prescribed business (or group), for example, to the compliance department at Head Office. A report to Head Office, the parent or group does not remove the requirement also to disclose suspicions to the FIS.

## **8.5 Legal Professional Privilege**

250. In accordance with section 3(6)(d) of the Disclosure Law a person does not commit an offence for failing to report a suspicion of money laundering or terrorist financing where he is a professional legal adviser and the information or other matter came to him in privileged circumstances.

251. It should be noted, however, that items held with the intention of furthering a criminal purpose are not items subject to legal professional privilege.

252. Further information on this subject is provided in section 12.1.1 of this Handbook.

### **8.5.1 Recording and discussion with the MLRO**

253. In accordance with section 3(10) of the Disclosure Law a disclosure to a police officer does not contravene any obligation as to confidentiality or other restriction on the disclosure of information imposed by statute, contract or otherwise.

254. Therefore, even where it is believed that the privilege reporting exemption applies, consideration must be given as to whether all matters involving knowledge or suspicion or reasonable grounds for having knowledge or suspicion of money laundering or terrorist financing should still be referred to the MLRO for advice. Discussion of a matter with the MLRO, where the purpose of the discussion is the obtaining of advice about making a disclosure, does not alter the applicability of the privilege reporting exemption. Given the complexity of these matters, and the need for considered and consistent treatment with adequate documentation of decisions made, a referral to a discussion with the MLRO is likely to be beneficial and is recommended. The MLRO may decide to seek further appropriate advice.



## **8.6 The Response of the FIS**

255. Disclosures made through the online reporting facility will be immediately acknowledged.
256. If the disclosure does not refer to a specific transaction or activity that could constitute a money laundering or terrorist financing offence, the response from the FIS will simply acknowledge receipt of the disclosure.
257. If the disclosure does include reference to a specific transaction or activity that has led to the suspicion and ultimately a disclosure, the prescribed business should indicate whether or not it intends to carry out the transaction or activity, and if so request consent to continue with the particular transaction or activity. The MLRO should exhaust all avenues at his disposal to either negate or confirm whether or not there is a suspicion before seeking consent. On receipt of such a request the FIS will consider whether or not it may give consent under the relevant provisions. The FIS will, except in exceptional circumstances, within seven days of receipt of the disclosure, advise in writing its decision regarding the request. In urgent matters, consent may be given orally by the FIS, but will be followed by written confirmation.
258. In the event that consent is not given, the FIS will discuss with the prescribed business the implications and will offer what assistance it can in deciding the most appropriate course of action to be taken thereafter. Any such discussion with the FIS does not constitute legal advice. If deemed appropriate, legal advice should be sought by the prescribed business from its advocate or other legal adviser.
259. Access to disclosures will be restricted to appropriate authorities and any information provided by the FIS emanating from such disclosures will normally be in a sanitised format and will not include the identity of the source. In the event of a prosecution, the source of the information will be protected as far as the law allows.
260. The FIS may, by virtue of section 2(1) of the Disclosure (Bailiwick of Guernsey) Regulations, 2007 or section 2(1) of the Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007, seek additional information from the disclosing prescribed business. Such additional information includes financial and administrative information which may provide clarification of the grounds of suspicion and allow the person to whom the disclosure has been made to make a judgement as to how to proceed.
261. In addition, the FIS will, so far as is possible, supply on request and through planned initiatives information as to the current status of any investigations emanating from a disclosure as well as more general information regarding identified trends and indicators.

## 8.7 Communicating with Clients and Tipping Off

262. The Disclosure Law and the Terrorism and Crime Law provide that it is a criminal offence if a person knows, or suspects, that an internal suspicion report to a MLRO or a disclosure to the FIS has been or will be made or if any information or other matter concerning the internal suspicion report or disclosure has been or will be communicated to a MLRO or the FIS and he discloses to any other person information or any other matter about, or relating to, that knowledge or suspicion unless it is for a purpose set out in those laws. Those purposes include, but are not limited to, the prevention, detection, investigation or prosecution of criminal offences, whether in the Bailiwick or elsewhere. HM Procureur has issued a paper entitled Guidance on Prosecution for Tipping Off which provides for disclosures made to members of the same organisation or linked organisations to discharge their AML/CFT responsibilities. A copy of this paper is set out in Appendix E.

263. Reasonable enquiries of a client, conducted in a discreet manner, regarding the background to a transaction or activity which has given rise to the suspicion is prudent practice, forms an integral part of CDD and ongoing monitoring, and should not give rise to tipping off.

264. Policies, procedures and controls must enable an MLRO to consider whether it is appropriate to disclose a suspicion or to make a request for consent or whether in assessing the circumstances, it would in the first instance be more appropriate to obtain more information to assist him with this process. Such procedures must also provide for the MLRO to consider whether it would be more appropriate to decline to proceed with the requested act and to give due thought to the future of the business relationship as a whole.

265. There will be occasions where it is feasible for the prescribed business to agree a joint strategy with the FIS, but the FIS will not seek to influence what is ultimately a decision for the prescribed business and the online reporting facility cannot be used for this purpose.

## 8.8 Terminating a Business Relationship

266. Whether or not to terminate a business relationship is a commercial decision except where required by legislation, for example, where the prescribed business cannot obtain the required CDD information (see chapter 4 and Regulation 9).

267. Where a prescribed business makes a decision to terminate a business relationship after it has made a disclosure or requested consent, and is concerned that, in doing so it may prejudice an investigation or contravene the tipping off rules, it should engage with the FIS accordingly. The decision to terminate a relationship, however, remains with the prescribed business.

## 8.9 Request for Additional Information from Third Parties

The Terrorism and Crime (Bailiwick of Guernsey) (Amendments) Regulations, 2014 and The Disclosure (Bailiwick of Guernsey) (Amendment) Regulations, 2014 inserted a new regulation 2A. The inserted regulation applies where a person has made a disclosure under section 1, 2 or 3 of the Disclosure (Bailiwick of Guernsey) Law, 2007 and/or under the section 12, 15 or 15C of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 and the police officer to whom the disclosure is made believes as a result, that another person (“a third party”) may possess relevant information. A prescribed police officer, by notice in writing served upon a third party, require that third party to provide the officer (or any other specified officer) with such additional information relating to the initial disclosure as may be specified in writing within such period which, in unusual circumstances shall not be less than 7 days, and in such form and manner, as may be specified.

## 8.10 Definitions

The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Regulations, 2014 and The Disclosure (Bailiwick of Guernsey) (Amendment) Regulations, 2014 include the following definitions:

- the disclosure upon which the FIS may determine to seek additional information as the ‘initial disclosure’.
- the persons from whom additional information is sought as “a third party”.
- *The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Regulations, 2014*; relevant information means information which is, or is likely to be, of assistance to any enquiries that a prescribed police officer reasonably believes to be necessary in order to establish:
  - whether any person is engaged in terrorist financing, or
  - that certain property is or is derived from terrorist property.
- *The Disclosure (Bailiwick of Guernsey) (Amendment) Regulations, 2014*; relevant information means information which is, or is likely to be, of assistance to any enquiries that a prescribed police officer reasonably believes to be necessary in order to establish:
  - whether any person is engaged in money laundering, or
  - that certain property is or is derived from the proceeds of criminal conduct.

## 8.11 Additional Information Requests

Prescribed businesses who receive a notice should respond as instructed by the FIS.

**PLEASE NOTE THAT PAGES 77 – 92 HAVE BEEN WITHDRAWN**

## **CHAPTER 9 – EMPLOYEE SCREENING AND TRAINING**

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## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 13, which provides for procedures to be undertaken by a prescribed business when hiring employees and for the requirements of training relevant employees. See below.
- Regulation 15, which makes provisions in relation to the review of compliance. See chapter 2.

### **Regulation 13**

13. (1) A prescribed business shall maintain appropriate and effective procedures, when hiring employees or admitting any person as a partner in the business, for the purpose of ensuring high standards of employee probity and competence.
- (2) A prescribed business shall ensure that relevant employees, and any partners in the business receive comprehensive ongoing training in –
- (a) the relevant enactments, these Regulations and the Handbook,
  - (b) the personal obligations of employees, and partners and their potential criminal liability under these Regulations and the relevant enactments,
  - (c) the implications of non-compliance by employees, and partners with any rules, guidance, instructions, notices or other similar instruments made for the purposes of these Regulations, and
  - (d) its policies, procedures and controls for the purposes of forestalling, preventing and detecting money laundering and terrorist financing.
- (3) A prescribed business shall identify relevant employees and partners who, in view of their particular responsibilities, should receive additional and ongoing training, appropriate to their roles, in the matters set out in paragraph (2) and must provide such additional training.

## 9 EMPLOYEE SCREENING AND TRAINING

A prescribed business must comply with the Rules in addition to the Regulations. The Rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations.

### 9.1 Objectives

268. One of the most important tools available to a prescribed business to assist in the prevention and detection of money laundering is to have staff who are alert to the potential risks of money laundering and terrorist financing and who are well trained in the requirements concerning CDD and the identification of unusual activity, which may prove to be suspicious.

### 9.2 Screening of Employees

269. In order for a prescribed business to ensure that employees are of the required standard of competence and probity, which will depend on the role of the employee, consideration (which must be documented) must be given to :

- obtaining and confirming appropriate references at the time of recruitment;
- requesting information from the employee with regard to any regulatory action taken against him or action taken by a professional body;
- updates to the lists of specified countries and persons against whom sanctions have been imposed by the United Nations and the European Union on the grounds of suspected or known involvement in terrorist activity;
- requesting information from the employee with regard to any criminal convictions and the provision of a check of his criminal record (subject to the Rehabilitation of Offenders (Bailiwick of Guernsey) Law, 2002); and

must ensure that special attention is paid to and checks undertaken on qualifications and professional memberships relating to potential employees.

270. The term employee as defined in the Regulations includes any person working for a prescribed business, i.e. not only individuals working under a contract of employment (including on a temporary basis), but also those working under a contract for services. Where persons who are employees of any third parties carry out work in relation to prescribed business under an outsourcing agreement, the prescribed business must have procedures to satisfy itself as to the effectiveness of the screening procedures of the third party in ensuring employee competence and probity.

### 9.3 Relevant Employees

271. The requirements of the Regulations concerning training apply to employees whose duties relate to actual prescribed business and any directors or managers (hereafter referred to as relevant employees), and not necessarily to all employees of a prescribed business.
272. When determining whether an employee is a relevant employee, for the purposes of the Handbook a prescribed business may take into account the following:
- whether the employee is undertaking any client facing functions, or handles or is responsible for the handling of business relationships or transactions;
  - whether the employee is directly supporting a colleague who carries out any of the above functions;
  - whether an employee is otherwise likely to be placed in a position where he might see or hear anything which may lead to a suspicion; and
  - whether an employee's role has changed to involve any of the functions mentioned above.

### 9.4 Employee Training

273. The Board must be aware of the obligations of the prescribed business in relation to staff screening and training.
274. A prescribed business must, in ensuring that relevant employees receive the ongoing training required under the Regulations, in particular ensure that they are kept informed of:
- the CDD requirements and the requirements for the internal and external reporting of suspicion;
  - the criminal and regulatory sanctions in place for failing to report information in accordance with policies, procedures and controls;
  - the identity and responsibilities of the MLRO;
  - the principal vulnerabilities of the products and services offered by the prescribed business; and
  - new developments, including information on current money laundering and terrorist financing techniques, methods, trends and typologies.
275. A prescribed business must in providing the training required under the Regulations:
- provide appropriate training to enable relevant employees adequately and responsibly to assess the information that is required for them to judge whether an activity or business relationship is suspicious in the circumstances;
  - provide relevant employees with a document outlining their own obligations and potential criminal liability and those of the prescribed business under the



relevant enactments and the Regulations;

- prepare and provide relevant employees with a copy, in any format, of the prescribed business' policies, procedures and controls manual for AML/CFT; and
- ensure its employees are fully aware of legislative requirements.

276. In ensuring compliance with the requirement for training, a prescribed business may take account of AML/CFT training included in entry requirements and continuing professional development requirements for their professional employees.

277. However, a prescribed business must also ensure appropriate training is provided for any relevant employees without a professional qualification, at a level appropriate to the functions being undertaken by those employees, and the likelihood of their encountering suspicious activities.

278. Applying a risk-based approach to the various methods available for training, gives each firm flexibility regarding the frequency, delivery mechanisms and focus of such training. A prescribed business should review its own employees and available resources and implement training programs that are appropriate to the nature and complexity of its operation.

#### **9.4.1 The MLRO**

279. A prescribed business is required under the Regulations to identify particular relevant employees who in view of their roles should receive additional training and it must provide such training. Such employees must include the MLRO, any nominated persons and any deputies to whom suspicion reports may be made. The additional training must include in depth and specific training with regard to;

- the handling and reporting of internal suspicion reports;
- the handling of production and restraining orders including, but not limited to, the requirements of the relevant legislation and how to respond to court orders;
- liaising with law enforcement agencies; and
- the management of the risk of tipping off.

280. Please refer to section 2.4 for information on the role and responsibilities of the MLRO.

#### **9.4.2 The Board and senior management**

281. The Board and senior management are responsible for the effectiveness and appropriateness of the prescribed business' policies, procedures and controls to counter money laundering and terrorist financing. As such they must be identified as relevant employees to whom additional training must be given in order that they remain competent to give adequate and informed consideration to the

evaluation of the effectiveness of those policies, procedures and controls.

282. In addition to the general training provided to relevant employees a detailed level of additional training must be provided to the Board and senior management to provide a clear explanation and understanding of:

- the relevant enactments and the Regulations and information on the offences and the related penalties, including potential director and shareholder liability;
- the CDD and record keeping requirements; and
- the internal and external suspicion reporting procedures.

## 9.5 Timing and Frequency of Training

283. As part of providing comprehensive ongoing training, appropriate training must be provided for all new relevant employees prior to them becoming actively involved in day-to-day operations. Thereafter, the frequency of training should be determined on a risk-based approach, with those employees with responsibility for the handling of business relationships or transactions receiving more frequent training.

284. Such programmes may include, as well as the matters required in the Regulations:

- the principal vulnerabilities of any new products, services or delivery channels offered;
- the nature of terrorism funding and terrorist activity, in order that staff are alert to client transactions or activities that might be terrorist-related;
- information on the changing behaviour and practices amongst money launderers and those financing terrorism;
- emerging typologies; and
- the policies, procedures and controls applied by the prescribed business to the assessment of risk and the requirements for dealing with high risk relationships.

285. At a minimum, training must be provided to all relevant employees at least every two years but will need to be more frequent to meet the requirements in the Regulations if new legislation or significant changes to the Handbook are introduced or where there have been significant technological developments within the prescribed business.

## 9.6 The Relevance of Training

286. Whilst there is no single or definitive way to conduct staff training for AML/CFT purposes, the critical requirement is that staff training must be adequate and relevant to those being trained and the training messages should reflect good practice. The training should equip staff in respect of their responsibilities.

287. Prescribed businesses must put in place mechanisms to measure the effectiveness of the AML/CFT training.

288. The guiding principle of all AML/CFT training should be to encourage employees, irrespective of their level of seniority, to understand and accept their responsibility to contribute to the protection of the prescribed business against the risk of money laundering and terrorist financing.
289. The precise approach will depend on the size, nature and complexity of the prescribed business. Classroom training, videos and technology-based training programmes can all be used to good effect depending on the environment and the number of people to be trained.
290. Training should highlight to employees the importance of the contribution that they can individually make to the prevention and detection of money laundering and terrorist financing. There is a tendency, in particular on the part of more junior employees, to mistakenly believe that the role they play is less pivotal than that of more senior colleagues. Such an attitude can lead to failures to disseminate important information because of mistaken assumptions that the information will have already been identified and dealt with by more senior colleagues.

## **CHAPTER 10 – RECORD KEEPING**

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## REGULATIONS

The requirements of the Regulations to which the rules and guidance in this chapter particularly relate are:

- Regulation 14, which provides for the record keeping requirements of a prescribed business. See below.
- Regulation 15, which makes provisions in relation to the review of compliance. See chapter 2.

### **Regulation 14**

14. (1) A prescribed business shall keep-

- (a) a transaction document and any client due diligence information, or
- (b) a copy thereof,

for the minimum retention period.

(2) Where a prescribed business is required by any enactment, rule of law or court order to provide a transaction document or any client due diligence information to any person before the end of the minimum retention period, the prescribed business shall-

- (a) keep a copy of the transaction document or client due diligence information until the period has ended or the original is returned, whichever occurs first, and
- (b) maintain a register of transaction documents and client due diligence information so provided.

(3) A prescribed business shall also keep records of –

- (a) any reports made to a money laundering reporting officer as referred to in regulation 12 and of any disclosure made under Part I of the Disclosure Law or section 12 of the Terrorism Law made other than by way of a report to the money laundering reporting officer, for five years starting from-
  - (i) in the case of a report or a disclosure in relation to a business relationship, the date the business relationship ceased, or
  - (ii) in the case of a report or a disclosure in relation to an occasional transaction, the date that transaction was completed,
- (b) any training carried out under regulation 13 for five years starting from the date the training was carried out,

- (c) any minutes or other documents prepared pursuant to regulation 15(c) until –
    - (i) the expiry of a period of five years starting from the date they were finalised, or
    - (ii) they are superseded by later minutes or other documents prepared under that regulation,whichever occurs later, and
  - (d) its policies, procedures and controls which it is required to establish and maintain pursuant to these Regulations, until the expiry of a period of five years starting from the date that they ceased to be operative.
- (4) Documents and client due diligence information, including any copies thereof, kept under this regulation –
- (a) may be kept in any manner or form, provided that they are readily retrievable, and
  - (b) must be made available promptly
    - (i) to an auditor, and
    - (ii) to any police officer, the Financial Intelligence Service, the Commission or any other person where such documents or client due diligence information are requested pursuant to these Regulations or any relevant enactment.

## 10 RECORD KEEPING

A prescribed business must comply with the Rules in addition to the Regulations. The Rules are boxed and shaded for ease of reference. A prescribed business should note that the Court must take account of the Rules and Guidance issued by the Commission in considering compliance with the Regulations.

### 10.1 Objectives

291. Record keeping is an essential component that the Regulations require in order to assist in any financial investigation and to ensure that criminal funds are kept out of the financial system, or if not, that they may be detected and confiscated by the appropriate authorities.

### 10.2 General and Legal Requirements

292. To ensure that the record keeping requirements of the Regulations are met, a prescribed business must have appropriate and effective policies, procedures and controls in place to require that records are prepared, kept for the stipulated period and in a readily retrievable form so as to be available on a timely basis, i.e. promptly, to domestic competent authorities upon appropriate authority and to auditors.

#### 10.2.1 Client due diligence information

293. In order to meet the requirement in the Regulations to keep transaction documents and CDD information a prescribed business must keep the following records:

- copies of the identification data obtained to verify the identity of all clients, beneficial owners and underlying principals; and
- copies of any client files, account files, business correspondence and information relating to the business relationship or occasional transaction; or
- information as to where copies of the CDD information may be obtained.

#### 10.2.2 Transactions

294. In order to meet the requirement to keep each transaction document, all transactions carried out on behalf of or with a client in the course of business, both domestic and international, must be recorded by the prescribed business. In every case, sufficient information must be recorded to enable the reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity.

295. A prescribed business must ensure that in order to meet the record keeping requirements for transactions, documentation is maintained which must include:

- the name and address of the client, beneficial owner and underlying principal;
- if a monetary transaction, the currency and amount of the transaction;
- account name and number or other information by which it can be identified;
- details of the counterparty, including account details;
- the nature of the transaction; and
- the date of the transaction.

296. Records relating to unusual and complex transactions and high risk transactions must include the prescribed business' own reviews of such transactions.

### 10.2.3 Internal and external suspicion reports

297. In order to meet the requirement to keep records of reports of suspicion made to a MLRO, a prescribed business must keep:

- the internal suspicion report;
- records of actions taken under the internal and external reporting requirements;
- when the MLRO has considered information or other material concerning possible money laundering, but has not made a disclosure of suspicion to the FIS, a record of the other material that was considered and the reason for the decision; and
- copies of any disclosures made to the FIS.

### 10.2.4 Training

298. Training records must include:

- the dates AML/CFT training was provided;
- the nature of the training; and
- the names of the employees who received training.

### 10.2.5 Compliance monitoring

299. In order to meet the requirement to keep records of documents prepared in connection with the obligation of the Board to discuss a review of compliance and of its compliance review policy and other policies, procedures and controls relating to compliance, a prescribed business must retain:

- reports by the MLRO to the Board and senior management;
- records of consideration of those reports and of any action taken as a consequence; and
- any records made within the prescribed business or by other parties in respect of compliance of the prescribed business with the Regulations and the Handbook.



## **10.3 Record Keeping**

300. The record keeping requirements are the same, regardless of the format in which the records are kept, or whether the transaction was undertaken by paper or electronic means or however they are subsequently retained. A prescribed business must, however, consider whether keeping documents other than in original paper form could pose legal evidential difficulties, for example, in civil court proceedings.

### **10.3.1 Ready retrieval**

301. A prescribed business must periodically review the ease of retrieval of, and condition of, paper and electronically retrievable records.

302. Where the FIS or another domestic competent authority requires sight of records, under the Regulations or the relevant enactment, which according to a prescribed business' procedures would ordinarily have been destroyed, the prescribed business must none the less conduct a search for those records and provide as much detail to the FIS or other domestic competent authority as possible.

303. The Regulations require documents which must be kept to be made available promptly to domestic competent authorities where so requested under the Regulations or other relevant enactment. Prescribed businesses must therefore consider the implications for meeting this requirement where documentation, data and information is held overseas or by third parties, such as under outsourcing arrangements, or where reliance is placed on introducers or intermediaries.

304. Prescribed businesses must not enter into outsourcing arrangements or place reliance on third parties to retain records where access to records is likely to be restricted as this would be in breach of the Regulations which require records to be readily retrievable.

## **10.4 Period of Retention**

305. The minimum retention periods are set out in Regulation 14.

## **10.5 Requirements on Closure or Transfer of Business**

306. Where a prescribed business terminates activities, or disposes of a business or a block of business relationships, for example, by way of asset sale, to another financial service provider the person taking on that business must ensure that the record keeping requirements in the Regulations are complied with in respect of such business.

## **CHAPTER 11 – BRIBERY AND CORRUPTION**

### **Applicable Legislation**

The Prevention of Corruption (Bailiwick of Guernsey) Law, 2003

Appendix H

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## **LEGISLATION**

In addition to the Regulations, and the Rules and Guidance elsewhere in the Handbook, there is also a dedicated law which has specific requirements with regard to corruption.

The text of the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 is set out in Appendix H. That text is definitive.

## **11 BRIBERY AND CORRUPTION**

### **11.1 Objectives**

- 307. Bribery and corruption risk is the risk of a prescribed business, or any person acting on behalf of the prescribed business, or any third party connected to a business relationship, engaging in bribery or corruption.
- 308. In light of the increasing global focus on anti-bribery and anti-corruption (“ABC”), the extra-territorial effect of foreign legislation and the links between an effective ABC framework and an effective AML/CFT framework, the Commission is issuing the guidance in this chapter on bribery and corruption. It should be noted that there are currently no rules in this chapter.
- 309. The objective of this chapter is to provide information about ABC legislation and guidance on how the potential risks of bribery and corruption can be recognised, managed and mitigated. Nothing in this chapter should be read as reducing in any way the requirements of legislation or the rules elsewhere in this handbook.

### **11.2 Overview**

- 310. The involvement of prescribed businesses in corrupt or potentially corrupt practices overseas undermines the integrity of the jurisdiction’s prescribed sector. Unless robust systems and controls are in place prescribed businesses risk contravening Guernsey and/or overseas ABC legislation. A weak control environment (for example, surrounding the making of payments to overseas third parties) may give rise to the risk of the services of a prescribed business being inadvertently used to process potentially corrupt payments.
- 311. The Board, in the context of its oversight of risk management and maintenance of a sound system of risk identification, measurement and control, has effective responsibility for ensuring that the business complies with the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 (“the Corruption Law”). The provisions of the Corruption Law apply to corruption committed both within and outside the Bailiwick.
- 312. The Board also has effective responsibility for ensuring that the prescribed business does not risk contravening the corruption legislation of other jurisdictions which apply to prescribed businesses undertaking business in those jurisdictions or which apply to prescribed businesses in other ways. For example, the extra-territorial reach of the UK Bribery Act 2010 (“the Bribery Act”) means that a foreign company, including a Guernsey company, which carries on any “part of a business” in the UK could be prosecuted under the Bribery Act for failing to prevent bribery committed by any of its employees, agents or other representatives, even if the bribery takes place outside the UK and involves non-UK persons. The Bribery Act also applies to British citizens working anywhere in

the world, even if the company for which they work does not carry out business anywhere in the UK.

313. Bribery, corruption and money laundering are criminal acts which are intrinsically linked. By successfully laundering the proceeds of bribery and corruption, the illicit gains may be enjoyed without fear of the proceeds being identified and confiscated.
314. Transparency of transactions and asset ownership is essential to enable the tracing of assets related to corruption and their recovery. Corruption is more likely to flourish in opaque circumstances where the proceeds of such crimes are laundered and cannot be traced back to the underlying corrupt activity, particularly when the ownership and control of assets is obscured, and transactions leave incomplete or misleading audit trails. Effective implementation of the AML/CFT framework increases the transparency of the financial system by creating a reliable trail of information regarding business relationships and the transactions undertaken by them or on their behalf, disclosing the actual ownership control and movement of their assets.
315. The AML/CFT framework requires that prescribed businesses pay special attention to any complex, unusual or large transactions, or unusual patterns of transactions, that have no apparent or visible economic or lawful purpose. Increased scrutiny is also to be given to high risk clients (such as foreign politically exposed persons (“PEPs”)), jurisdictions, business relationships and high risk transactions. These provisions enable the detection of unusual or suspicious activity that might be related to corruption and which must be reported to the FIS.

### **11.3 Board Responsibility for Oversight of Compliance**

316. The Board should have appropriate and effective risk identification and management systems, which include policies, procedures and controls that provide an adequate and effective framework for combating bribery and corruption. In particular, the Board should:
  - take responsibility for establishing policies, procedures and controls with regard to ABC;
  - take responsibility for the review of compliance with the policies, procedures and controls in place with regard to ABC;
  - consider, at regular intervals, the appropriateness and effectiveness of the ABC policies, procedures and controls and take the necessary action to remedy any identified deficiencies; and
  - take appropriate measures to keep up to date with, and keep abreast of, bribery and corruption issues.

## **11.4 Bribery and Corruption Risk Assessment**

317. In order to ensure its policies, procedures and controls on ABC are appropriate and effective, a prescribed business should consider the potential bribery and corruption risks to which the prescribed business could be exposed.
318. It is a matter for each prescribed business to consider how it integrates the risk of bribery and corruption into its AML/CFT framework. For example, some prescribed businesses may wish and it may be appropriate to, include the assessment of bribery and corruption risk in their ML/FT business risk assessment.
319. A prescribed business should ask itself how it might be exposed to bribery and corruption risk. For example, it should consider what risks are associated with:
- the products/services offered and administered by the prescribed business;
  - the underlying purpose to which products/services are put e.g. companies set up to invest in high risk industries;
  - project financing, particularly where it involves the public sector;
  - high value projects or projects involving a significant number of unrelated contractors or third parties;
  - the customers of the prescribed business and their geographical origin;
  - exposure to PEPs;
  - the use of and payments to third parties (particularly those located in higher risk jurisdictions)
320. Consideration of the above factors along with any other factors relevant to the business, will provide a useful framework for the prescribed business, having assessed the risk to its business, to tailor its policies, procedures and controls on ABC.

## **11.5 Relationship Risk Assessment**

321. Chapter 3 of this Handbook provides for the undertaking of a relationship risk assessment in respect of any proposed business relationship or occasional transaction. The chapter contains examples of high risk indicators which a prescribed business may consider when preparing a risk profile, including indicators associated with bribery and corruption.

## **11.6 Monitoring Business Relationships**

322. As identified in Regulation 11 and chapter 7, an unusual transaction or activity may be in a form that is inconsistent with the expected pattern of activity within a particular business relationship, or with the normal business activities for the type of product or service that is being delivered. This may indicate bribery or corruption where the transaction or activity has no apparent economic or visible lawful purpose. Consideration should be given to:
- commission structures, e.g. considering whether commission percentages paid to introducers of new business are reasonable proportionate and transparent;

- charitable or political donations and sponsorship;
- instructions to effect payments for advisory and consulting activities with no apparent connection to the known activities of the business;
- payments to unknown third parties and
- effecting transactions through cash payments and money orders.

## **11.7 Training**

323. As part of the ongoing training of relevant employees, a prescribed business should include information about its ABC policies, procedures and controls and the specific risks relating to bribery and corruption to which the business may be exposed.
324. In addition, a prescribed business should ensure those employees responsible for the implementation and monitoring of ABC policies, procedures and controls have additional training in order that they are:
- competent to give adequate and informed consideration to the evaluation of the effectiveness of those policies, procedures and controls; and
  - competent to provide adequate and informed input on revisions to those policies, procedures and controls.

## **11.8 Record Keeping**

325. The Board should ensure that appropriate and effective policies, procedures and controls are in place to require that records relevant to ABC are prepared and retained in a readily retrievable form so as to be available on a timely basis, i.e. promptly, to domestic competent authorities upon appropriate authority.

## CHAPTER 12 – UN, EU AND OTHER SANCTIONS

### Applicable Legislation

The Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011

Appendix I

<http://www.guernseylegalresources.gg/article/98999/Terrorist-Asset-Freezing-Bailiwick-of-Guernsey-Law-2011>

The Afghanistan (Restrictive Measures) (Guernsey) Ordinance, 2011

<http://www.guernseylegalresources.gg/article/93433/Afghanistan-Restrictive-Measures-Guernsey-Ordinance-2011>

The Afghanistan (Restrictive Measures) (Alderney) Ordinance, 2011

<http://www.guernseylegalresources.gg/CHttpHandler.ashx?id=70430&p=0>

The Afghanistan (Restrictive Measures) (Sark) Ordinance, 2011

<http://www.guernseylegalresources.gg/CHttpHandler.ashx?id=78298&p=0>

The Al-Qaida (Restrictive Measures) (Guernsey) Ordinance, 2013

<http://www.guernseylegalresources.gg/article/108694/Al-Qaida-Restrictive-Measures-Guernsey-Ordinance-2013>

The Al-Qaida (Restrictive Measures) (Alderney) Ordinance, 2013

<http://www.guernseylegalresources.gg/CHttpHandler.ashx?id=84805&p=0>

The Al-Qaida (Restrictive Measures) (Sark) Ordinance, 2013

<http://www.guernseylegalresources.gg/article/109720/Al-Qaida-Restrictive-Measures-Sark-Ordinance-2013>

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## LEGISLATION

In addition to the Regulations, and the Rules and Guidance elsewhere in the Handbook, there are also some dedicated enactments which implement sanctions measures relating to terrorist financing and which have specific requirements with regard to making funds or financial services available to listed persons (“the terrorist asset freezing enactments”).

The text of the Terrorist Law, 2011, the Afghanistan Ordinances and the Al-Qaida Ordinances is accessible by the hyperlinks displayed under applicable legislation.

## 12. UN, EU AND OTHER SANCTIONS

A prescribed business must comply with the Rules in addition to the terrorist asset freezing enactments. In order to assist prescribed businesses to understand the contents of the terrorist asset freezing enactments, some of the text below paraphrases the prohibitions which must be observed. Any paraphrasing of that text within this chapter represents the Commission's own explanation of the terrorist asset freezing enactments and is for the purposes of information and assistance only. That paraphrasing does not detract from the legal effect of the terrorist asset freezing enactments or from their enforceability by the courts. In case of doubt you are advised to consult a Guernsey Advocate.

The paraphrased text is contained within a clear box in order to provide clarity whilst the rules which must be followed are boxed and shaded for ease of reference.

### 12.1 Objectives

326. This chapter outlines the statutory provisions concerning UN, EU and other Sanctions, the policies, procedures and controls necessary in respect of such sanctions and the provision of information on sanctions and freezing of funds notices.

### 12.2 The Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011 (“Terrorist Law 2011”)

327. The Terrorist Law 2011 implements United Nations Security Council Resolution 1373 and Council Regulation (EC) No. 2580/2001 (“the EU Regulation”). The EU regulation imposes restrictive measures directed against certain persons and entities with a view to combating terrorism.

328. The Terrorist Law 2011 prohibits any person from:

- (a) dealing with funds or economic resources owned, held or controlled by a designated person, knowing or having reasonable cause to suspect such funds or economic resources are being dealt with;
- (b) making funds or financial services available (directly or indirectly) to a designated person knowing or having reasonable cause to suspect, the funds or financial services are being made so available;
- (c) making funds or financial services available to any person for the benefit of a designated person, knowing or having reasonable cause to suspect the funds or financial services are being made so available;
- (d) making economic resources available (directly or indirectly) to a designated person, knowing or having reasonable cause to suspect that the economic resources are being made so available, and that the designated person would be likely to exchange the economic resources, or use them in exchange, for funds, goods or services;

- (e) making economic resources available to any person for the benefit of a designated person, knowing or having reasonable cause to suspect, that the economic resources are being made so available;
- (f) intentionally participating in activities, knowing that the object or effect of such activities (whether directly or indirectly) is to circumvent or facilitate the contravention of any of the above prohibitions.

329. A designated person means –

- (a) a person designated by Policy Council under the Terrorist Law 2011; or
- (b) a person who is the subject of a designation under and within the meaning of the UK's Terrorist Asset-Freezing etc. Act 2010; or
- (c) a natural or legal person, group or entity included in the list provided for by Article 2(3) of Council Regulation (EC) No 2580/2001 of 27 December 2001 on specific restrictive measures directed against certain persons and entities with a view to combating terrorism (as that Regulation is amended from time to time).

330. When determining whether a particular individual or legal person is a designated person prescribed businesses must consult the full list of financial sanctions targets which may be found in the financial sanctions section of the HM Treasury website at: [http://www.hm-treasury.gov.uk/fin\\_sanctions\\_index.htm](http://www.hm-treasury.gov.uk/fin_sanctions_index.htm)

331. The list referred to above is a consolidated list of specified countries, organisations and individuals who have been designated by the United Nations, European Union and United Kingdom under legislation relating to current financial sanctions regimes.

332. Any legal or natural persons designated by the Policy Council who are not on the consolidated lists are named in a separate list maintained by the Policy Council which is accessible on the States of Guernsey website.

333. The disclosure and other requirements of the Terrorist Law 2011 are separate to the requirements of the Disclosure Law and the Terrorism and Crime Law.

### **12.3 The Afghanistan (Restrictive Measures) (Guernsey) Ordinance 2011 together with corresponding Ordinances for Alderney and Sark (“Afghanistan Ordinances”), and the Al-Qaida (Restrictive Measures) (Guernsey) Ordinance, 2013 and corresponding Ordinances for Alderney and Sark (“Al-Qaida Ordinances”).**

334. The Afghanistan Ordinances and the Al-Qaida Ordinances implement United Nations Security Council Resolution 1267 (“the original Resolution”). The original Resolution was given effect within the EU by Council Regulation (EC) No. 881/002 (“the original Regulation”) which was in turn implemented in the Bailiwick by the Al-Qaida and Taliban (Freezing of Funds) (Guernsey) Ordinance, 2011 and

corresponding Ordinances for Alderney and Sark. The original Resolution and Regulation, as initially enacted, applied to parties associated with both the Taliban and with Al-Qaida. In 2011, after the death of Osama Bin Laden, the United Nations Security Council created two separate regimes for the Taliban and Al-Qaida. This was done by creating a new regime specific to Afghanistan under United Nations Security Council Resolution 1988, which was based on the list of parties associated with the Taliban that had been listed under the original Resolution. This change was reflected in a corresponding EU Regulation, namely Council Regulation (EU) No. 753/2011 which was then implemented in the Bailiwick by the Afghanistan Ordinances. The original Regulation continued to apply to parties associated with Al-Qaida and it is currently given effect in the Bailiwick by the Al-Qaida Ordinances.

335. The EU Regulations impose restrictive measures in respect of designated persons, that is, persons, groups or entities designated by the relevant United Nations Sanctions Committees. The lists maintained by those Committees can be accessed at:

<http://www.un.org/sc/committees/1988/list.shtml> and  
[http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml).

Persons named in those lists are included in the lists at Annex 1 to each of the two EU Regulations.

336. In order to determine whether any person, group or entity is a designated person, prescribed businesses must consult the UN lists as well as the consolidated versions of Annex 1 to each of the two EU Regulations which are accessible at: <http://eur-lex.europa.eu/homepage.html>

337. The lists in Annex 1 to each of the two EU Regulations are consolidated lists of individuals, groups and entities subject to the sanctions measures and consist of two sections, specified below:

- (a) individuals associated with the Taliban or Al-Qaida, as the case may be;
- (b) entities and other groups and undertakings associated with the Taliban or Al-Qaida, as the case may be.

338. The Afghanistan Ordinances and the Al-Qaida Ordinances prohibit any person from:

- (a) dealing with funds or economic resources belonging to, or owned, held, or controlled by, a designated person;
- (b) making available, directly or indirectly, to or for the benefit of a designated person funds or economic resources;
- (c) participating knowingly and intentionally in activities with the aim of circumventing the prohibitions, or enabling or facilitating their contravention.

339. The prohibitions in the Afghanistan Ordinances and the Al-Qaida Ordinances are subject to certain exceptions, such as payments due under contracts, agreements or

obligations that were concluded or arose before the account became a frozen account, and payment of interest on frozen funds.

340. In addition, the prohibitions do not apply to anything done under the authority of a licence granted by the Policy Council.

## **12.4 Licences**

341. The Policy Council may grant a licence permitting the release of specified funds which would otherwise be caught by the provisions of the Terrorist Law 2011 and of the Afghanistan and Al-Qaida Ordinances. No offence is committed in respect of such funds provided that the terms of the licence are complied with.
342. The Policy Council will entertain applications for licences under the Terrorist Law 2011 and the Afghanistan and Al-Qaida Ordinances from any party. Such licences will normally only be issued in respect of funding for necessities such as food, medical treatment and accommodation, but funding for extraordinary expenses will also be considered.

## **12.5 Obligation to Report**

343. Prescribed businesses should note that, under the Terrorist Law 2011 and the Afghanistan and Al-Qaida Ordinances, it is a criminal offence for a financial institution to fail to disclose to the Policy Council its knowledge or suspicion that a customer or potential customer is a designated person or has committed any of the offences set out in the Law or Ordinances. This requirement is additional to the reporting obligation in the Disclosure Law and the Terrorism and Crime Law.

## **12.6 Obtaining information**

344. It should be noted that neither the European Union nor the United Nations has a notification facility for advising when the lists of designated persons maintained by them are updated. However, the consolidated list provided by HM Treasury referred to above includes designations by the European Union and the United Nations and it is kept up to date.
345. The Asset-Freezing Unit of HM Treasury offers a free subscription facility for notification by e-mail when a financial sanctions-related release is published on its website and the consolidated list of targets is updated. Information on how to subscribe for this service is provided on the UN, EU and other sanctions section of the Commission's website, together with the full text of the terrorist asset freezing enactments, information regarding the obligations contained within the enactments and links to both the UN Sanctions Committee lists and the consolidated list of asset freeze targets provided by HM Treasury.

## **12.7 Information on Guernsey's Sanction Regime**

346. In addition to the sanctions regime implemented by the terrorist asset freezing enactments, prescribed businesses should be aware that Guernsey has enacted legislation to implement a wide range of country-specific sanctions. Sanctions of this kind are a tool used increasingly for enforcing foreign policy by putting pressure

on a State or entity in order to maintain or restore international peace and security. Often, sanctions are used as an alternative to force.

347. The United Nations and the European Union are key bodies that adopt sanctions measures. Sanctions measures may include:
- financial sanctions including asset freezes and investment bans;
  - travel bans;
  - import and export bans;
  - arms embargos; and
  - trade restrictions.
348. Although Guernsey's sanctions regime is based on legislation that broadly mirrors equivalent legislation in the UK, it is completely separate from, and operates independently of, the UK regime.
349. Notwithstanding Guernsey's independent sanctions regime, trans-jurisdictional issues may arise at times. Many transfers of funds will be made to or from another jurisdiction that operates a sanctions regime and in such cases a licence, authorisation, or notification may be required in both jurisdictions. In addition, the legislative frameworks of some jurisdictions contain provisions that have extra-territorial effect, so that they may apply to some of the parties involved in a Guernsey transaction on the grounds of nationality or place of incorporation even if the jurisdiction in question is not involved in that transaction.
350. Prescribed businesses in Guernsey should be aware, in particular, of sanctions implemented by the US Office of Foreign Assets Controlled (OFAC). OFAC regulations can be applied to:
- U.S. citizens and permanent resident immigrants regardless of where they are located;
  - persons and entities within the United States;
  - persons and entities trading in U.S. Dollars;
  - U.S. incorporated entities and their foreign branches;
  - in the cases of certain sanctions, such as those regarding Cuba and North Korea, all foreign subsidiaries owned or controlled by U.S. companies;
  - foreign persons in possession of U.S. origin goods in some cases.
351. Guernsey has established a Sanctions Committee to co-ordinate sanction activities, ensure information is distributed publicly and to provide advice on sanctions. The committee reports to the External Relations Group of the Policy Council and Guernsey's AML/CFT Advisory Committee.
352. The External Relations Group is mandated on behalf of Policy Council to:
- Agree to implement new sanctions measures;
  - License frozen funds; and
  - Administer notifications and authorisations (e.g. those under the Iran (Restrictive Measures) (Guernsey) Ordinance, 2010).
353. The Group also works with HM Treasury and the UK's Foreign and Commonwealth Office.

## **PART 2 – SPECIFIC INDUSTRY SECTORS**

## CHAPTER 13 – SPECIFIC INDUSTRY SECTORS

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## **13 SPECIFIC INDUSTRY SECTORS**

352. The continuing effort by governments globally to combat money laundering and the financing of terrorism has made the work of the criminal more difficult. In part, as a means of circumventing AML/CFT measures, criminals have had to develop more complex schemes. This increase in complexity, means that those individuals desiring to launder criminal proceeds - unless they already have specialised professional expertise themselves - often turn to the expertise of legal professionals, accountants, financial consultants, and other professionals to aid them in the movement of such proceeds. It is apparent that some of the functions of these professionals are the gateway through which the criminal must pass to achieve his goals. Thus the legal and accounting professionals serve as a “gatekeeper” since they have the ability to furnish access (knowingly or unwittingly) to the various functions that might help the criminal with funds to move or conceal.
353. The criminal not only relies on the expertise of professional firms but also uses their professional status to minimise suspicion surrounding their criminal activities.
354. The following sections provide more information on each sector and highlight some of the areas of vulnerability.

### **13.1 Legal Professionals**

355. Internationally, there is a widely held perception that legal professionals will not report suspicions of money laundering or terrorist financing, perhaps by making excessive use of legal professional privilege, or at a minimum that suspicion reports by legal professionals are only made where suspicion has become near certainty.
356. The AML/CFT legislation in Guernsey contains a clear and specific requirement that a suspicion report is made in all circumstances where there is knowledge or suspicion or reasonable grounds for having knowledge or suspicion of money laundering or terrorist financing. This reporting requirement is regardless of the value of the transaction or whether it involves tax matters.

#### **13.1.1 Legal Professional Privilege**

357. Legal Professional Privilege (LPP) is a privilege against disclosure, ensuring clients know that certain documents and information provided to legal professionals cannot be disclosed at all. It recognises the client’s fundamental human right to be candid with his legal adviser, without fear of later disclosure to his prejudice. It is an absolute right and cannot be overridden by any other interest.
358. LPP does not extend to everything legal professionals have a duty to keep confidential. LPP protects only those confidential communications falling under either of the two heads of privilege – advice privilege or litigation privilege.

359. Legal advice privilege – which protects confidential communications between lawyers acting in their legal professional capacity and their clients made for the dominant purpose of seeking or giving legal advice.
360. Litigation privilege – which applies where there is “a real likelihood” of litigation or litigation is actually underway and which protects communications between lawyers and clients, or between lawyers and third parties, made for the dominant purpose of advancing the prosecution or defence of the matter or the seeking or giving of legal advice in connection with it.
361. Information or another matter comes to a professional legal adviser in privileged circumstances if it is communicated or given to him:
- (a) by (or by a representative of) a client of his in connection with the giving by the adviser of legal advice to the client;
  - (b) by (or by a representative of) a person seeking legal advice from the adviser; or
  - (c) by a person in connection with legal proceedings or contemplated legal proceedings,
- and does not apply to information or another matter which is communicated or given with a view to furthering a criminal purpose.
362. LPP protects advice you give to a client on avoiding committing a crime or warning them that proposed actions could attract prosecution. LPP does not extend to documents which themselves form part of a criminal or fraudulent act, or communications which take place in order to obtain advice with the intention of carrying out an offence. It is irrelevant whether or not you are aware that you are being used for that purpose.
363. It is not just your client’s intention which is relevant for the purpose of ascertaining whether information was communicated for the furtherance of a criminal purpose. It is also sufficient that a third party intends the lawyer/client communication to be made with that purpose (e.g. where the innocent client is being used by a third party).
364. If you know the transaction or activity you are working on is a principal offence, you risk committing an offence yourself. Also, communications relating to the transaction or activity are not privileged and can be disclosed.
365. If you merely suspect a transaction or activity might constitute a money laundering or terrorist financing offence, the position is more complex. If the suspicions are correct, communications with the client are not privileged. If the suspicions are unfounded, the communications should remain privileged and are therefore non-disclosable.

### **13.1.2 Suspicious activities, features and vulnerabilities**

366. In the absence of a satisfactory explanation the following may be regarded as suspicious activity:

- while face-to-face contact with clients is not always necessary, an excessively obstructive or secretive client may be a cause for concern;
- instructions that are unusual in themselves, or that are unusual for your firm or your client;
- instructions or cases that change unexpectedly and for which there seems to be no logical reason for the changes;
- a client deposits funds into your client account but then ends the transaction for no apparent reason;
- a client tells you that funds will be coming from one source and at the last minute the source changes;
- a client unexpectedly asks you to send money received into your client account back to its source, to the client or to a third party;
- disputes which are settled too easily - this may indicate sham litigation;
- loss-making transactions where the loss is avoidable;
- dealing with money or property where you suspect that either is being transferred to avoid the attention of a trustee in a bankruptcy case or a law enforcement agency.

367. When determining the risks associated with the provision of services related to regulated activities, consideration should be given to such factors as:

- services where designated legal professionals, acting as financial intermediaries, actually handle the receipt and transmission of cash proceeds through accounts they actually control in the act of closing a business transaction;
- services to conceal improperly beneficial ownership from competent authorities (as opposed to services intended legitimately to screen ownership from the general public, such as for privacy or other reasons);
- commercial or real property transactions having structures with no apparent legitimate business, economic, tax or legal reasons. However, transaction structures that are designed by designated legal professionals for legitimate business and/or tax efficient structuring and planning should not be seen as a risk variable, especially where other regulated parties with well known reputations (e.g. accountants or financial services businesses) refer the work to designated legal professionals and/pr are involved in the transaction;
- services knowingly designed to illegally evade revenue or other government authorities' claims concerning an asset or other property. This obviously would not include however, services for legitimate, business and/or tax efficient structuring and planning, structuring for management liability or to otherwise lawfully comply with the law;
- administrative arrangements concerning estates where the deceased was known to the designated legal professional as being a person who had been convicted of acquisitive crimes.

368. Legal professionals should only use client accounts to hold client money for legitimate transactions for clients, or for another proper legal purpose. From the criminals perspective putting dirty money through a legal professional's client account can clean it, whether the money is sent back to the client, on to a third party, or invested in some way.

369. It can be difficult to draw a distinction between holding client money for a legitimate transaction and acting more like a bank but legal professionals should take care to not provide a de facto banking service for their clients. For example, when the proceeds of a sale are left with a legal professional to make payments, these payments may be to mainstream loan companies, but they may also be to more obscure recipients, including private individuals, whose identity is difficult or impossible to check.
370. While the majority of charities are used for legitimate reasons, they can be used as money laundering and terrorist financing vehicles. If legal professionals are acting for a charity, consideration should be given to its purpose and the organisations it is aligned with. If money is being received on the charity's behalf from an individual or a company donor, or a bequest from an estate, legal professionals should be alert to unusual circumstances including large sums of money.

## **13.2 Accountants**

371. Accountants perform a number of important functions in helping their clients organise and manage their financial affairs. These provisions may include the provision of advice to individuals and business in such matters as investment, company formation, trusts and other legal arrangements, as well as the optimisation of tax situations. Additionally, some may be directly involved in carrying out specific types of financial transactions (holding or paying out funds relating to the purchase or sale of real estate, for example) on behalf of clients.

### **13.2.1 Suspicious features or activities**

372. Criminals need the same services as legitimate clients. They need a whole range of financial and business advice. Even unwitting involvement in money laundering can put a firm at risk. To reduce the risk of involvement in money laundering or the financing of terrorism firms should take note of danger signals such as:
- the secretive client - who is reluctant to provide details of identity and background or who is over plausible;
  - untypical instructions -the client who has obvious reason for using a particular firm;
  - lack of economic purpose -the client's transaction lacks or includes steps, which lack any obvious economic purpose. Or perhaps it involves a structure which appears unnecessarily complicated to achieve the declared purpose i.e. subsidiaries, branches, trusts or nominees when there is no commercial justification;
  - nominees and trusts behind the fund management, transfer, disposition etc.;
  - holding client's assets without convincing reason;
  - suspect territory i.e. a country where drug production or trafficking may be prevalent.
373. Firms may also wish to consider the different types of risk to which they are exposed. These risks may include:

- being used to launder money through the handling of cash or assets,
- becoming concerned in an arrangement which facilitates money laundering or terrorist financing through the provision of investment services;
- risks attaching to the client and/or those who trade with or otherwise interact with clients as regards their potential for involvement in money laundering or terrorist financing.

### **13.3 Estate Agents**

374. The growth of AML/CFT regulation and advances in technology have led to criminals using increasingly complex commercial arrangements that require the services of professionals outside the financial services industry, including estate agents. For example, investment of illicit capital in property is a classic method of laundering. This investment is often made by way of chain transactions in property to disguise the source of funds or by investment in tourist or recreational property complexes that provide the appearance of legality.
375. Property investments are an easy way of converting money through purchase or resale since very few questions have been asked traditionally about the source of the funds used.

#### **13.3.1 Suspicious features or activities**

##### **13.3.1.1 Cash**

376. Large payments made in actual cash may be a sign of money laundering or terrorist financing. It is good practice to establish a policy of not accepting cash payments above a certain limit.
377. Clients may attempt to circumvent such a policy by depositing cash directly into a firm's client account at a bank. Avoid disclosing client account details as far as possible and make it clear that electronic transfer of funds is expected.
378. If a cash deposit is received, consideration should be given as to whether there is a risk of money laundering taking place and whether it is a circumstance requiring a disclosure to the FIS.

##### **13.3.1.2 Source of funds**

379. Estate agents should monitor whether funds received from clients are from credible sources. For example, it is reasonable for monies to be received from a company if the client is a director of that company and has the authority to use company money for the transaction. However, if funding is from a source other than the client, further enquiries may need to be made. Where a decision is made to accept funds from a third party, perhaps because time is short, ask how and why the third party is helping with the funding.

##### **13.3.1.3 Client account details**

380. Think carefully before information is disclosed in respect of client account details as the provision of such information will allow money to be deposited into the account without prior knowledge. If it is necessary to provide client account

details, ask the client where the funds will be coming from. Will it be an account in their name, from the UK or abroad? Consider the risks.

381. Keep the circulation of client account details to a minimum. Discourage clients from passing the details on to third parties and ask them to use the account details only for previously agreed purposes.

#### **13.3.1.4 Ownership issues**

382. Properties owned by nominee companies or multiple owners may be used as money laundering vehicles to disguise the true owner and/or confuse the audit trail.
383. Firms should be alert to sudden or unexplained changes in ownership. One form of laundering, known as flipping, involves a property purchase, often using someone else's identity. The property is then quickly sold for a much higher price to the same buyer using another identity. The proceeds of crime are mixed with mortgage funds for the purchase. This process may be repeated several times.
384. Another potential cause for concern is where a third party is providing the funding for a purchase, but the property is being registered in someone else's name. There may be legitimate reasons for this, such as a family arrangement, but firms should be alert to the possibility of being misled about the true ownership of the property. Consideration should be given to undertaking further CDD measures on the person providing the funding.

#### **13.3.1.5 Funding**

385. Many properties are bought with a combination of deposit, mortgage and/or equity from a current property. Firms should be aware of the necessity of ensuring that information on funding is kept up to date, for example if a mortgage falls through and new funding is obtained.
386. Usually purchase funds comprise some private funding, with the majority of the purchase price being provided via a mortgage. Transactions that do not involve a mortgage are potentially higher risk.
387. Attention should be given to large payments from private funds, especially if the client has a low income and payments are made from a number of individuals or sources.
388. Where there is cause for concern ask the client to explain the source of the funds. Assess whether you think the explanation provided is valid - for example, the money may have been received from an inheritance or from the sale of another property. Additionally, consider whether the beneficial owners were involved in the transaction.
389. Remember that payments made through the banking system are not guaranteed to be clean.

#### **13.3.1.6 Third party funding**

390. Third parties often assist with purchases, for example relatives often assist first time home buyers. Funds may be received directly from those third parties and a decision will need to be taken, on a risk-based approach as to the extent of CDD measures to be undertaken relation to the third parties. Consider whether there are any obvious warning signs and what information is available regarding:
- your client;
  - the third party;
  - their relationship;
  - the proportion of the funding being provided by the third party.
391. Consider any obligations to the lender which may arise in these circumstances - it is usual for lenders to be advised if the buyers are not funding the balance of the price from their own resources.

## **PART 3 – APPENDICES AND GLOSSARY**



## CHAPTER 14 – APPENDICES

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## 14 APPENDICES

### APPENDIX A

#### MONEY LAUNDERING AND FINANCING OF TERRORISM TECHNIQUES AND METHODS

##### What is Money Laundering?

Deception is the heart of money laundering: at its most basic level money laundering is deception by attempting to make assets appear to have been obtained through legal means with legally-earned funds or to be owned by third parties who have no relationship to the true owner.

The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. From the perspective of the criminal, it is no use making a profit from criminal activities if that profit cannot be put to use. A proportion of the profit will often be re-invested into further criminal ventures, but criminals will often wish to use the rest for other purposes. If this activity is to be achieved without being detected the money must be 'laundered'. Money laundering can be described as the processing of criminal proceeds to disguise their illegal origin. Criminals seek to put their proceeds of crime into a state in which it appears to have an entirely respectable origin. If this act is carried out successfully it allows criminals to maintain control over their proceeds and ultimately to provide a legitimate cover for their source of income. Where criminals are allowed to use the proceeds of crime, the ability to launder such proceeds makes crime more attractive.

However, this does not mean that all criminals need to resort to elaborate schemes in order to create the perception of legitimacy of the source and ownership of their assets. Small-time criminals rarely do; they deal in cash and avoid financial institutions as much as possible. Even with regard to larger criminal activities the need to launder money will vary from jurisdiction to jurisdiction.

The money laundering process is generally made up of three stages:

- The placement stage where illegitimate funds find their way into the financial system via payment into legitimate accounts. For example, depositing cash in banks which ask no questions, using business entities that are cash intensive in nature to commingle funds, buying precious metals/diamonds, or artwork/stamp collections;
- The layering stage which is used to disguise the audit trail between the funds and the original point of entry into the financial system. This is achieved by moving the funds around so that the origins of the money become obscured. For example, by transferring funds across borders, purchasing investment bonds, gambling at the race track or at casinos, and making use of foreign financial centres;
- The integration stage where funds are reintroduced as legitimate wealth to fund further activities or to acquire assets.

## **APPENDIX A (CONTINUED)**

### **What is Financing of Terrorism?**

For terrorists, the acquisition of funds is not an end in itself but a means of committing a terrorist attack. With terrorist financing, it does not matter whether the transmitted funds come from a legal or illegal source. Indeed, terrorist financing frequently involves funds that, prior to being remitted, are unconnected to any illegal activity. Examples have occurred when legitimate funds have been donated to charities that, sometimes unknown to the donors, are actually fronts for terrorist organisations.

Tracking terrorist financial transactions arising from legitimate sources is more difficult than following the money trails of the proceeds of crime because of the often relatively small amount of funds required for terrorist actions and the range of legitimate sources and uses of funds. While many organised crime groups are adept at concealing their wealth and cash flows for long periods of time, their involvement in the physical trade of illicit drugs, arms, and other commodities, often exposes the revenues and expenditures connected to these illegal dealings. In contrast, terrorist attacks are in many cases comparatively inexpensive, and their financing is often overshadowed by the larger financial resources allocated for the group's political and social activities, making it more difficult to uncover the illicit nexus.

Identifying and disrupting the mechanisms through which terrorism is financed are key elements in the overall efforts to combat terrorism. As well as reducing the financial flows to terrorists and disrupting their activities, action to counter terrorist financing can provide vital information on terrorists and their networks, which in turn improves law enforcement agencies' ability to undertake successful investigations.

### **Red Flags**

Much of the information in chapter 13 can be used for training purposes and to provide employees with examples of red flags. The case studies below can also be used for training purposes.

### **Case Studies**

The following case studies demonstrate how financial products and services can be used to launder the proceeds of crime or to finance terrorism.

#### **Example 1 – A lawyer uses cross-border companies and trust accounts to launder money**

Mr S headed an organisation importing narcotics into Country A from Country B. A lawyer, Mr L, was employed by Mr S to launder the proceeds of this operation.

In order to launder the proceeds of the narcotics operation, Mr L established a web of foreign corporate entities. These entities were incorporated in Country C, where scrutiny of ownership, records, and finances was not strong. A local management company in Country D administered these companies. The companies were used to camouflage the movement of illicit funds, the acquisition of assets and the financing of criminal activities. Mr S was the holder of 100% of the bearer share capital of these entities.

## **APPENDIX A (CONTINUED)**

In Country A, a distinct group of persons and companies without any apparent association to Mr S transferred large amounts of money to Country D where it was deposited in, or transited through, the companies owned by Mr S. This same network was found to have been used to transfer large amounts of money to a person in Country E who was later found to be responsible for drug shipments destined for Country A.

Several other lawyers and their client accounts were found to have been used to receive cash and transfer funds, ostensibly for the benefit of commercial customers in Country A.

Concurrently, Mr L established a separate similar network (which included other lawyers) to purchase assets and place funds in vehicles and instruments designed to mask the beneficial owner's identity.

### **Example 2 – Internet check uncovers drug trafficker attempting to launder proceeds of crime**

Mr Z is a wealthy businessman. He is also a drug trafficker. Mr Z's business interests in Africa and South America include a range of companies involved with organic, coffee production and sale, and a cluster of hospitality/retail outlets. He has close relationships with high level government contacts in a number of these countries. Whilst the coffee business is funded by the proceeds of drug trafficking it is also a successful business in its own right.

Mr Z secures the services of a property search specialist - which he owns - to find a tax neutral jurisdiction in which he can redomicile some of his companies and purchase a substantial property from which he can run his affairs when he is in the jurisdiction. The property search specialist approaches a range of estate agents and seeks to engineer the purchase of a property through a local estate agent. The estate agent makes an internet search on Mr Z and discovers that he has links to foreign government officials, some of whom have featured in media articles about corruption and other crimes. The estate agent suspects money laundering and makes a suspicion report to the local financial intelligence unit. Neither the property transactions nor any of the other transactions in the jurisdiction took place.

### **Example 3 – Fraud lies behind potential property transaction**

A local estate agent is approached by Mrs Y by telephone in connection with the purchase of a house. Mrs Y follows up this contact with a meeting. It became apparent to the estate agent that Mrs Y was unconcerned about the cost of the house and whether she was paying substantially more than it was worth. Mrs Y did not need to sell her existing property in order to fund the purchase and she was not clear about the use to which she intended to make of the property. The estate agent became suspicious and made a suspicion report to the financial intelligence unit. It transpired that Mrs Y was part of a fraud ring in a neighbouring jurisdiction.

## **APPENDIX A (CONTINUED)**

### **Example 4 – Lawyers playing a small part in multi-jurisdictional transaction arrangements**

Mr T is an accomplished money launderer. He is aware that lawyers in the smaller, international finance centres are used to being part of multi-jurisdictional transaction arrangements led by a firm of lawyers in London or New York. The lawyers in the finance centres are used to being a small part of the transaction arrangements. Firm XYZ is one such firm of lawyers. Firm XYZ receives instructions from firm P on behalf of clients in jurisdictions L, M and N. The instructions are to set up a special purpose vehicle which will issue bonds, the interest payments of which will be backed by intellectual property royalties - in practice this backing is the proceeds of drug trafficking. Firm XYZ receives a certificate from firm B providing information on the proposed structure.

Firm XYZ specialises in such arrangements - it promises that its staff are available 24 hours a day. It is aware that it can meet the FATF standards on knowing the purpose and intended nature of transactions by having proportionate knowledge of the part of the arrangement in which it is involved.

All substantial new business at firm XYZ is considered by the money laundering reporting officer and he decides to request further information on the arrangement as he cannot understand the economic rationale behind its complexity.

Mr T, through firm P, makes it known that firm XYZ does not need to know this information. Firm XYZ is being paid to provide advice and to establish a company for a small part of the arrangement, the arrangement is sensitive and time critical, and firm XYZ has sufficient information to fulfil its part of the arrangement. The senior management of firm XYZ overrule the money laundering reporting officer's reservations and the arrangement progresses.

Three years later a drug trafficking investigation in jurisdiction S leads investigators to the arrangement. They discover that the drug traffickers placed their proceeds of crime into the arrangement and that they are also the purchasers of the bonds issued by the special purpose vehicle established by firm XYZ. They had been using the dividends paid by the company to help demonstrate that their life styles were funded by "clean" money.

### **Example 5 – Auditor uncovers NPO being used for terrorist financing**

Mr J is an auditor at accountancy firm ZZZ. For some years he has been responsible for the audit of the financial statements of firm B, a manufacturer of specialist hand tools for the oil and gas industries.

Firm B decides to seek advice on splitting its business into two separate companies under a holding company. It asks for help from the senior commercial adviser of firm ZZZ. The adviser feels that he must consider the accounts of firm B closely in order to provide the best commercial (including tax) advice. Close analysis of Mr J's papers and the accounts and other information provided by firm ZZZ, reveals the unusual timing of a series of large payments to a non-profit organisation (NPO) in a distant jurisdiction known to have civil strife, terrorist activity and to be a centre of drug production. It is not clear why firm B is supporting the NPO.

## APPENDIX A (CONTINUED)

The adviser is informed that the manufacturer supports the NPO as it is based in a gas producing country and that the NPO supported the families of victims of an accident which had taken place while representatives of the firm had been in the country. Upon investigation, the commercial adviser becomes suspicious that the payments made to the NPO are helping to fund the terrorist activity.

It transpired that several of the senior representatives of the firm were engaged in terrorist financing.

### **Example 6 – A jurisdiction too far**

Mr P is a director of a hotel group which is active in a range of jurisdictions. The group has appointed firms of accountants and lawyers to act for it in a range of jurisdictions. Mr P's identity has been verified on various occasions when firms have been appointed to act for the group. The firms of lawyers and accountants which act for the group are also usually global entities – these firms have usually relied on the existence of client due diligence undertaken by associate offices and the long-standing relationships Mr P has with those offices. Mr P is also a non-executive director of a construction supplies group, also internationally active.

Mr P is a money launderer – he helps to launder the proceeds of the crime for which the construction supplies group is a front. To date, because of his roles with two sizeable companies and his relationships with global firms of lawyers and accountants, he has not been suspected of any criminal activity.

The construction supplies group now wishes to obtain the joint benefits of rationalising the number of companies it controls and establishing more difficult trails for law enforcement to follow by setting up part of the rationalised group in a jurisdiction – jurisdiction S – in which it does not have a presence. Jurisdiction S is located several hours' flight from the group's main countries of activity. Mr P carries out much of the work himself with firms of lawyers and accountants in jurisdiction S on behalf of the construction supplies company.

Mr P also intends to establish companies and trusts in jurisdiction S to hold assets for him and his family. He therefore receives a wide range of legal and accountancy advice on behalf of the construction supplies group and his family.

An employee at the law firm in jurisdiction S became suspicious. She becomes concerned about the rationale for establishing operations in jurisdiction S, about the complexity and opacity of the proposals and about the wealth which has been accumulated by Mr P, which is greater than his seemingly legitimate employment would warrant. Accordingly, a suspicion report is made to the financial intelligence unit.

## APPENDIX B

### GENERAL INTRODUCER CERTIFICATE

IC1

<b>Name of accepting prescribed business</b>		
<b>Name of Introducer</b>		
<b>Account name (in full)</b>		
<b>Details of associated account/s (which are part of the same structure)</b>		
<b>Introducer's contact details</b>	<b>Address:</b>	
	<b>Telephone:</b>	<b>Fax:</b>
	<b>Email:</b>	

The Introducer certifies that it is an Appendix C business and in respect of this account it has obtained and holds the verification required to satisfy the Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing or the Handbook for Legal Professionals, Accountants and Estate Agents on Countering Financial Crime and Terrorist Financing (as appropriate) issued by the Guernsey Financial Services Commission, as updated from time to time. The information disclosed for this account by the Introducer accurately reflects the information held and is being given for account opening and maintenance purposes only. The Introducer undertakes to supply certified copies or originals of the verification documentation upon request without delay.

Signature: \_\_\_\_\_

Full Name: \_\_\_\_\_

Official Position: \_\_\_\_\_

Date: \_\_\_\_\_

Please identify the number of supplementary pages being submitted:

IC2 | | IC3 | | IC4 | |

**APPENDIX B (CONTINUED)****GENERAL INTRODUCER CERTIFICATE  
IDENTIFICATION INFORMATION****IC2**

Name of Introducer: \_\_\_\_\_

Account name (in full): \_\_\_\_\_

**To be completed for applicants for business who are individuals or partners in a partnership only**

(Please complete the section below and attach additional copies of this sheet as required)

	1	2
Full Name		
Nationality, date and place of birth		
Current residential address (please include postcode). Note: A PO Box only address is insufficient		
Does the Introducer consider the related party to be, or to be associated with a PEP?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

**To be completed for applicants for business who are companies, partnerships, trusts or foundations**

Date of incorporation or registration (if applicable)		Registration number	
Place of incorporation or registration (if applicable)			
Current registered office address (if applicable)			
Date of establishment (if unincorporated/unregistered)		legal jurisdiction (if unincorporated/unregistered)	
Type of trust/foundation/company			
Is it a trading entity Yes <input type="checkbox"/> No <input type="checkbox"/>	Are bearer shares currently in issue? Yes <input type="checkbox"/> No <input type="checkbox"/>	If no, can bearer shares be issued? Yes <input type="checkbox"/> No <input type="checkbox"/>	

**To be completed for all applicants for business**

Nature of activities or purpose and intended nature of business relationship (please provide full description)	
(for all PEP relationships and, where appropriate, for high risk relationships): Source of wealth (and identify the period over which this has been derived)	
Account activity	

**Should the space provided be insufficient, please continue using IC4.**

Initial of signatory/ies completing IC1



**APPENDIX B (CONTINUED)****GENERAL INTRODUCER CERTIFICATE  
RELATED PARTIES****IC3**

Name of Introducer: \_\_\_\_\_

Account name (in full): \_\_\_\_\_

**Details of all principal(s) (see IC5 for definition) including beneficial owners and excluding officers of the Introducer**

(Please complete the section below and attach additional copies of this sheet as required)

	<b>1</b>	<b>2</b>
Full Name		
Nationality, date and place of birth		
Current residential address (please include postcode). Note: A PO Box only address is insufficient		
Role of principal and date relationship commenced		
Does the Introducer consider the related party to be, or to be associated with a PEP?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

	<b>3</b>	<b>4</b>
Full Name		
Nationality, date and place of birth		
Current residential address (please include postcode). Note: A PO Box only address is insufficient		
Role of principal and date relationship commenced		
Does the Introducer consider the related party to be, or to be associated with a PEP?	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>

Initial of signatory/ies completing IC1

GENERAL INTRODUCER CERTIFICATE  
ADDITIONAL INFORMATION

IC4

Name of Introducer: \_\_\_\_\_  
Account name (in full): \_\_\_\_\_

This section is to be used by the prescribed business to identify any additional information or documentation that they require over and above the stated minimum and/or for the Introducer to provide additional information to supplement the details contained in IC1, IC2 and/or IC3.

Initial of signatory/ies completing IC1

## APPENDIX B (CONTINUED)

### GENERAL INTRODUCER CERTIFICATE NOTES AND GUIDANCE

IC5

These notes and the definitions below are intended to assist the Introducer in completing the required forms and to enable greater consistency to be achieved.

<b>“Associated accounts”</b>	Refers to an account with the same prescribed business where any of the principals are connected with an account in the same group or structure.
<b>“Account activity”</b>	An estimate of the total flow of funds in and out of the account should be provided. An estimated maximum account turnover should also be provided. For a trading operation, the scale and volume of transactions should be explained.
<b>“Bearer shares”</b>	Should bearer shares be subsequently issued (after the opening of the account) such that the “Yes” box needs ticking in IC2, an updated form should be supplied to the accepting prescribed business without delay.
<b>“Certified copy”</b>	An officer or authorised signatory of a regulated financial services business will be an acceptable certifier. An acceptable “certified copy” document should be an accurate and complete copy of the original such that the certifier will sign and date the copy document printing his position, capacity and company name.
<b>“Introducer”</b>	Is an Appendix C business.
<b>“Nature of activities or purpose and intended nature of business relationship”</b>	A sufficient description should be provided to enable the accepting prescribed business to properly categorise the underlying nature of the arrangements. If the activity is of commercial nature, then additional information may be required.
<b>“PEP”</b>	Politically exposed person as defined in the Handbook.
<b>“Principal”</b>	Includes any person or other entity that has or is likely to receive a benefit in the foreseeable future or who the Introducer customarily treats as having an economic interest.
<b>“Role”</b>	This might include, for example, a beneficial owner, a shareholder, beneficiary, settlor, partner, etc.
<b>“Signatory”</b>	The Introducer’s Certificate will need to be signed or initialled (where appropriate) in line with the Introducer’s current mandate/authorised signatory list held with the accepting prescribed business.
<b>“Source of wealth”</b>	The origins of the wealth of the principal/s (and over what period) should be identified. Generally, simple one word answers will be unacceptable, for example, “income”, “dividends”, “Bill Smith”, or “work”. A brief description to give a fuller picture is expected, for example, “sale of UK private company in 1997”, “life time savings of settler who was a doctor”, “inheritance from parents’ UK estate” and “UK property development over the last 10 years”.
<b>“Trading”</b>	Implies commercial activity which may include a business, invoicing or re-invoicing operations. For clarity, a “trading company” does not include a personal service/employment company.

**Please refer to the accepting prescribed business should you have any doubt or queries about completing the Introducer Certificate Forms.**

## APPENDIX C

### COUNTRIES OR TERRITORIES WHOSE REGULATED BUSINESSES MAY BE TREATED AS IF THEY WERE LOCAL FINANCIAL SERVICES BUSINESSES OR LOCAL PRESCRIBED BUSINESSES

<a href="#"><u>Australia</u></a>	<a href="#"><u>Italy</u></a>
<a href="#"><u>Austria</u></a>	<a href="#"><u>Japan</u></a>
<a href="#"><u>Belgium</u></a>	<a href="#"><u>Jersey</u></a>
<a href="#"><u>Bermuda</u></a>	<a href="#"><u>Latvia</u></a>
<a href="#"><u>Bulgaria</u></a>	<a href="#"><u>Liechtenstein</u></a>
<a href="#"><u>Canada</u></a>	<a href="#"><u>Lithuania</u></a>
<a href="#"><u>Cayman Islands</u></a>	<a href="#"><u>Luxembourg</u></a>
<a href="#"><u>Cyprus</u></a>	<a href="#"><u>Malta</u></a>
<a href="#"><u>Denmark</u></a>	<a href="#"><u>Netherlands</u></a>
<a href="#"><u>Estonia</u></a>	<a href="#"><u>New Zealand</u></a>
<a href="#"><u>Finland</u></a>	<a href="#"><u>Norway</u></a>
<a href="#"><u>France</u></a>	<a href="#"><u>Portugal</u></a>
<a href="#"><u>Germany</u></a>	<a href="#"><u>Singapore</u></a>
<a href="#"><u>Gibraltar</u></a>	<a href="#"><u>Slovenia</u></a>
<a href="#"><u>Greece</u></a>	<a href="#"><u>South Africa</u></a>
<a href="#"><u>Hong Kong</u></a>	<a href="#"><u>Spain</u></a>
<a href="#"><u>Hungary</u></a>	<a href="#"><u>Sweden</u></a>
<a href="#"><u>Iceland</u></a>	<a href="#"><u>Switzerland</u></a>
<a href="#"><u>Ireland</u></a>	<a href="#"><u>United Kingdom</u></a>
<a href="#"><u>Isle of Man</u></a>	<a href="#"><u>United States of America</u></a>

Appendix C to the Handbook was established to reflect those countries or territories which the Commission considers require regulated financial services businesses and regulated prescribed businesses to have in place standards to combat money laundering and terrorist financing consistent with the FATF Recommendations and where such businesses are supervised for compliance with those requirements. It was also designed as a mechanism to recognise the geographic spread of the clients of the Guernsey finance sector and is reviewed periodically with countries or territories being added as appropriate.

The fact that a country or territory has requirements to combat money laundering and terrorist financing that are consistent with the FATF Recommendations means only that the necessary legislation and other means of ensuring compliance with the Recommendations is in force in that country or territory. It does not provide assurance that a particular overseas business is subject to that legislation, or that it has implemented the necessary measures to ensure compliance with that legislation.

Guernsey prescribed businesses are not obliged to deal with regulated financial services businesses or prescribed businesses in the jurisdictions listed above as if they were local, notwithstanding that they meet the requirements identified in this Appendix. Guernsey prescribed businesses should use their commercial judgement in considering whether or not to deal with a regulated financial services business or prescribed business and may, if they wish, impose higher standards than the minimum standards identified in the Handbook.

In accordance with the definition provided for in the Regulations an “**Appendix C business**” means –

## APPENDIX C (CONTINUED)

- (a) a financial services business supervised by the Commission; or
- (b) a prescribed business registered under the Regulations, or
- (c) a business -
  - (i) which is carried on from a country or territory listed in Appendix C to the Handbook and which would, if it were carried on in the Bailiwick, be -
    - (A) a financial services business; or
    - (B) a prescribed business
  - (ii) which may only be carried on in that country or territory by a person regulated for that purpose under the law of that country or territory;
  - (iii) the conduct of which is subject to requirements to forestall, prevent and detect money laundering and terrorist financing that are consistent with those in the Financial Action Task Force Recommendations on Money Laundering in respect of such a business; and
  - (iv) the conduct of which is supervised for compliance with the requirements referred to in subparagraph (iii), by an overseas regulatory authority.

The absence of a country or territory from the above list does not prevent the application of section 4.9.1 of the Handbook (reliable introductions by an overseas branch or member of the same group, subject to satisfactory terms of business).

## APPENDIX D1

### INTERNAL REPORT FORM

Name of Customer			
Full account name(s)			
Account/product number(s)			
Date(s) of opening			
Date of customer's birth			
Nationality			
Passport number			
Identification and reference			
Customer's address			
Details arousing suspicion			
As relevant:	Amount (currency)	Date of receipt	Source of funds
Other relevant information			
Money Laundering Reporting Officer *			
Name of Employee			
Date of Report			

*\* The Money Laundering Reporting Officer should briefly set out the reason for regarding the transactions to be reported as suspicious, or if he decides against reporting, the reasons for that decision.*

## APPENDIX D2

### DISCLOSURE FORM STRICTLY PRIVATE AND CONFIDENTIAL

Please forward with covering letter to: The Guernsey Border Agency, Financial Investigation Unit: Financial Intelligence Service, Ozanne Hall, Mignot Plateau, Cornet Street, St Peter Port, GY1 1LF  Tel: 714081    Fax: 710466    E-mail: <a href="mailto:fiu@gba.gov.gg">fiu@gba.gov.gg</a>	
Reporting MLRO:	
Tel:	Email:

Your reference		
FIS reference		
Date		Consent request? <b>Yes/No</b>

#### 1. MAIN DISCLOSURE SUBJECT

##### Person

Title	
Full name <i>(please include former and other names)</i>	
Is the subject a Politically Exposed Person? <i>(please give details)</i>	
Gender	
Date of birth /Alias date of Birth	
Estimated age	
Place of Birth	
Town of Birth	
Nationality(ies)	
Occupation	

## APPENDIX D2 (CONTINUED)

Employer	
Address(es) including postal codes	
Country of Residence	
Contact details, e.g. telephone, fax, email	
Passport number(s) and dates	
Passport issuing country(ies)	
Other identification numbers and dates, e.g. national identity card, driving licence etc. <i>(please specify type)</i>	
Any other relevant information	

### and/or Organisation

Type of Organisation i.e. company, trust, non-profit organisation or other	
Name <i>(please include former and other names)</i>	
Legal registration / identification number	
Address(es) including postal codes	
Contact details, e.g. telephone, fax, email	
Place of incorporation / date	
Country registered / established	
Date registered / established	
Any other relevant information	
<i>(Trust)</i> Country of Administration Country Settled	
<i>(non-profit organisation)</i> Area of Benefit Area of Operation	



## APPENDIX D2 (CONTINUED)

### 2. ASSOCIATED SUBJECTS (including organisation officials)

Official Type	
Title	
Full name <i>(please include former and other names)</i>	
Date of birth	
Address(es) including postal codes	

For further associated subjects, please copy the formats used above

### 3. RELEVANT ACCOUNTS

Account Name	
Account Holder(s)	
Financial Institution/ SWIFT/BIC address	
Account / product type, e.g. investment, company etc.	
Account number and sort code	
Date account opened	
Date account closed	
Account balance / value	
Balance / value date	

For additional accounts or products, please copy the format used above.

### 4. RELEVANT TRANSACTIONS

**Please note that the obligation to report suspicion applies to all types of transaction and attempted transaction, including attempted transactions in circumstances where there is no existing business relationship with the disclosure subject and no such business relationship is subsequently established.**

Transaction date	
Transaction amount	
Transaction type / method	
Transaction parties <i>(please use person / organisation format as above where more detailed information is available)</i>	
Was the transaction carried out?	

## APPENDIX D2 (CONTINUED)

Was the transaction made in the context of an existing business relationship? If not, was a business relationship then established?	
---	--

**For additional transactions, please copy the format used above.**

### 5. CLIENT RELATIONSHIP

Current status of relationship	
Date relationship commenced	
Date relationship ended	

### 6. REASONS FOR SUSPICION

<i>Please give full account of circumstances and grounds for suspicion</i>
--

Suspected Underlying Offences	<i>Please specify where possible the nature of the offences which you suspect may underlie or otherwise be relevant to the transaction, for example fraud or corruption, (whether carried out or not), together with the grounds for that suspicion.</i>
-------------------------------	--

This disclosure is made under the <i>(please delete as appropriate)</i>	Terrorism and Crime (Bailiwick of Guernsey) Law, 2002
	Disclosure (Bailiwick of Guernsey) Law, 2007

### 7. DETAILS OF ANY REQUEST FOR CONSENT

<i>Please specify the act or transaction for which consent is sought</i>
--

### 8. ADDITIONAL INFORMATION (including explanation of any attachments)

--

NB - Please also provide as much information and documentation as possible to demonstrate why suspicion has been raised and to enable the FIS to fully understand the purpose and intended nature of the business relationship, e.g. copy identification and account opening documents, account statements, contract notes, minutes, correspondence, structure charts, transcripts, etc.

## APPENDIX D3

### SPECIMEN CONSENT NOT REQUIRED OF THE FIS

MLRO

Your Ref :  
FIS Ref :

#### PRIVATE & CONFIDENTIAL - ADDRESSEE ONLY

Dear

Thank you for the disclosure of information you have provided under the provisions of the Disclosure (Bailiwick of Guernsey) Law, 2007 concerning:-

XXXXXXXXXX

Your suspicions have been noted.

Based upon the information provided please note that this is not a consent issue.

This does not release you from your obligation in respect of all future transactions on the account or arising from the relationship to comply with the relevant anti money laundering legislation and to have due regard to the Guernsey Financial Services Commission Handbook on countering financial crime and terrorist financing.

Thank-you for your continued co-operation.

Yours sincerely

## APPENDIX D4

### SPECIMEN CONSENT OF THE FIS

MLRO

Your Ref :  
FIS Ref :

#### PRIVATE & CONFIDENTIAL - ADDRESSEE ONLY

Dear

Thank you for the disclosure of information you have provided under the provisions of the Disclosure (Bailiwick of Guernsey) Law, 2007 concerning *[insert subject here]*

Your suspicions have been noted.

Based upon the information provided you have consent to continue or maintain the account(s) or other relationship.

This does not release you from your obligation in respect of all future transactions on the account or arising from the relationship to comply with the relevant anti money laundering legislation and to have due regard to the Guernsey Financial Services Commission Handbook on countering financial crime and terrorist financing.

Thank you for your continued co-operation.

Yours sincerely

## APPENDIX D5

### SPECIMEN CONSENT REFUSED OF THE FIS

MLRO

Your Ref :  
FIS Ref :

PRIVATE & CONFIDENTIAL - ADDRESSEE ONLY

Dear

Thank you for the disclosure of information you have provided under the provisions of the Disclosure (Bailiwick of Guernsey) Law, 2007 concerning: -

XXXXXXXXXX

Your suspicions have been noted.

Based upon the information provided you do not have consent to: XXXXXXXXXXXX

This does not release you from your obligation in respect of all future transactions on the account or arising from the relationship to comply with the relevant anti money laundering legislation and to have due regard to the Guernsey Financial Services Commission Handbook on countering financial crime and terrorist financing.

Thank-you for your continued co-operation.

Yours sincerely

## APPENDIX D6

### SPECIMEN ACKNOWLEDGMENT OF THE FIS

MLRO

Your Ref :  
FIS Ref :

PRIVATE & CONFIDENTIAL - ADDRESSEE ONLY

Dear

Thank you for the disclosure of information you have provided concerning:

XXXXXXXXXXXX

The information has been noted.

Thank you for your continued co-operation.

Yours sincerely

## **APPENDIX E**

### **GUIDANCE ON PROSECUTION FOR TIPPING OFF**

This guidance is issued by HM Procureur in his capacity as the prosecuting authority within the Bailiwick and it does not constitute legal advice. Anyone who has concerns about any of the matters covered in this guidance should obtain independent legal advice. A glossary of terms used in this document is set out at the end.

#### **BACKGROUND**

It has come to the attention of the Bailiwick authorities that the finance industry and others would welcome clarification of the reach of the tipping off offences. Amendments to the Disclosure Law and the Terrorism Law are under consideration. In the meantime, this guidance is issued to clarify the circumstances in which prosecution will be pursued. It may be revoked or amended at any time.

#### **THE TIPPING OFF OFFENCES**

The tipping off offences were introduced to underpin the regime for making SARS (that is, required disclosures) under the Disclosure Law and the Terrorism Law. Their purpose is to prevent the subject of a SAR or other person from causing prejudice to ongoing or future investigations into money laundering or terrorist financing as the case may be. In order to achieve this, it is important that as few people as possible are aware that a SAR has been made. For this reason the scope of the offences is necessarily very wide, with a correspondingly narrow range of exemptions, and the offences carry substantial penalties.

However, it was not and is not the intention of the Bailiwick authorities that the tipping off offences should forestall legitimate attempts to prevent money laundering and terrorist financing. It is extremely important that those working in the finance sector and other affected industries are content that they are able to communicate concerns if they are to discharge their AML/CFT responsibilities effectively.

#### **PROSECUTION**

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.

However, this will not apply if the disclosure is made in circumstances where there are grounds to believe that it may prejudice an investigation.

HM Procureur  
October 2011

## APPENDIX E (CONTINUED)

### GLOSSARY

AML/CFT	Anti –Money Laundering/Countering the Financing of Terrorism
Disclosure Law	Disclosure (Bailiwick of Guernsey) Law 2007
MLRO	Money Laundering Reporting Officer
SAR	Suspicious Activity Report
Terrorism Law	Terrorism and Crime (Bailiwick of Guernsey) Law 2002
Tipping Off Offences	Offences at section 4 of the Disclosure Law and section 40 of the Terrorism Law



GUERNSEY STATUTORY INSTRUMENT  
2008 No 49.

**The Criminal Justice (Proceeds of Crime) (Legal Professionals,  
Accountants and Estate Agents)  
(Bailiwick of Guernsey)  
Regulations, 2008 <sup>a</sup>**

**ARRANGEMENT OF REGULATIONS**

PART I  
INTRODUCTORY PROVISIONS AND RISK ASSESSMENT

1. Citation.
- 1A. Application of Regulations.
2. Commencement.
3. Risk assessment and mitigation.

PART II  
CLIENT DUE DILIGENCE ETC.

4. Client due diligence.
5. Additional client due diligence.
6. Client due diligence for low risk relationships.
7. Timing of identification and verification.
8. Anonymous accounts.
9. Non-compliance with client due diligence measures etc.
10. Introduced business.

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<sup>a</sup> Amended by G.S.I. No. 72 of 2008 (The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) (Amendment) Regulations, 2008), G.S.I. No. 31 of 2009 (The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) (Amendment) Regulations, 2009); G.S.I. No. 86 of 2009 (The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents (Bailiwick of Guernsey) (Amendment) (No.2) Regulations, 2009); and G.S.I. No. 14 of 2010 (The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents (Bailiwick of Guernsey) (Amendment) Regulations, 2010); G.S.I. No. 57 of 2010 (The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents (Bailiwick of Guernsey) (Amendment) (No.2) Regulations, 2010); and G.S.I. No. 113 of 2010 (The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents (Bailiwick of Guernsey) (Amendment) (No.3) Regulations, 2010), and G.S.I. No.\*\* of 2013 (The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) (Amendment) Regulations, 2013).

## APPENDIX F (CONTINUED)

### PART III

#### ENSURING COMPLIANCE AND RECORD KEEPING

11. Monitoring transactions and other activity.
12. Reporting suspicion.
13. Employee screening and training.
14. Record-keeping.
15. Ensuring compliance, corporate responsibility and related requirements.

### PART IIIA

#### DESIGNATION OF SUPERVISORY AUTHORITY

- 15A. Guernsey Financial Services Commission.

### PART IV

#### REGISTRATION

16. Registration of prescribed businesses.
17. Validity of registration, annual fee and general requirements.
18. Conditions of registration.
19. Suspension of registration.
20. Surrender of registration.
21. List of, and information as to, registered prescribed businesses.
22. Notice of Commission's decision to impose conditions, etc.
23. Appeals against decisions of Commission.

### PART V

#### MISCELLANEOUS

24. Extension of sections 49B and 49C of the Law.
25. Offences as to false or misleading information, etc.
26. Other offences.
27. Penalties.
28. Transitional provisions.
29. Limitation of liability of Commission.
30. Interpretation.

## APPENDIX F (CONTINUED)

### GUERNSEY STATUTORY INSTRUMENT 2008 No 49.

## **The Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) Regulations, 2008**

**THE POLICY COUNCIL**, in exercise of the powers conferred upon it by sections 49A, 49D and 54 of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999<sup>b</sup>, hereby makes the following Regulations:-

### **PART I** **INTRODUCTORY PROVISIONS AND RISK ASSESSMENT**

#### **Citation.**

**1.** These Regulations may be cited as the Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) Regulations, 2008.

#### **Application of Regulations.**

**1A.** These Regulations do not apply to a prescribed business where -

- (a) the total turnover of the person carrying on the prescribed business in respect of the prescribed business does not exceed £50,000 per annum,
- (b) the prescribed business -
  - (i) if it is an estate agent, does not hold deposits, or
  - (ii) if it is a prescribed business other than an estate agent, does not carry out occasional transactions, that is to say any transactions involving more than £10,000 carried out by the prescribed business in question in the course of that business, where no business relationship has been proposed or established, including such transactions carried out in a single operation or two or more operations that appear to be linked,

---

**b**

Order in Council No. VIII of 1999, as amended by Order in Council No. II of 2005 and No. XV of 2007, Ordinance XXVIII of 1999, Ordinance XII of 2002, Ordinance XXXIII of 2002, Ordinance XLVII of 2007, Ordinance XXXVII of 2008, G.S.I. No. 27 of 2002 and certain sections of the Law are modified in their application to external confiscation orders by Ordinance XXXIII of 1999.

## **APPENDIX F (CONTINUED)**

- (c) the services of the prescribed business are provided only to customers or clients resident in the Bailiwick, and
- (d) the funds received by the prescribed business are drawn on a bank operating from or within the Bailiwick.

### **Commencement.**

**2.** (1) Regulations 1, 2 and 12, Part IV and regulations 25, 26(1)(a) and 27, to 30 shall come into force on the 8<sup>th</sup> October, 2008.

(2) All remaining provisions of these Regulations (other than regulation 15(d)) not brought into force under paragraph (1) shall come into force -

- (a) in respect of a prescribed business which is also a relevant business for the purposes of the Law by virtue of paragraph 5 ("Legal and accountancy services") of Schedule 2 to the Law, on the 7<sup>th</sup> November, 2008, and
- (b) in respect of a prescribed business which is also a relevant business for the purposes of the Law by virtue of paragraph 3 ("Estate agency") of Schedule 2 to the Law, on the 5<sup>th</sup> December, 2008.

(3) Regulation 15(d) shall come into force on the 1<sup>st</sup> January 2009.

### **Risk assessment and mitigation.**

**3.** (1) A prescribed business must -

- (a) carry out and document a suitable and sufficient money laundering and terrorist financing business risk assessment which is specific to the prescribed business -
  - (i) as soon as reasonably practicable after these Regulations come into force, or
  - (ii) in the case of a prescribed business which only becomes such on or after the date these Regulations come into force, as soon as reasonably practicable after it becomes such a business, and
- (b) regularly review its business risk assessment, at a minimum annually, so as to keep it up to date and, where, as a result of that review, changes to the business risk assessment are required, it must make those changes,

(2) A prescribed business must –

## APPENDIX F (CONTINUED)

- (a) prior to the establishment of a business relationship or the carrying out of an occasional transaction, undertake a risk assessment of that proposed business relationship or occasional transaction,
  - (b) regularly review any risk assessment carried out under subparagraph (a) so as to keep it up to date and, where changes to that risk assessment are required, it must make those changes, and
  - (c) ensure that its policies, procedures and controls on forestalling, preventing and detecting money laundering and terrorist financing are appropriate and effective, having regard to the assessed risk.
- (3) A prescribed business must have regard to -
  - (a) any relevant rules and guidance in the Handbook, and
  - (b) any notice or instruction issued by the Commission under the Law,

in determining, for the purposes of these Regulations, what constitutes a high or low risk.

### PART II CLIENT DUE DILIGENCE ETC.

#### **Client due diligence.**

- 4.** (1) A prescribed business shall, subject to the following provisions of these Regulations, ensure that the steps in paragraph (3) are carried out -
- (a) when carrying out the activities described in paragraphs (2)(a) and (b), and
  - (b) in the circumstances described in paragraphs (2)(c) and (d).
- (2) The activities and circumstances referred to in paragraph (1) are -
- (a) establishing a business relationship,
  - (b) carrying out an occasional transaction,
  - (c) where the prescribed business knows or suspects or has reasonable grounds for knowing or suspecting -
    - (i) that, notwithstanding any exemptions or thresholds pursuant to these Regulations, any party to a business relationship is engaged in money laundering or terrorist financing, or

## APPENDIX F (CONTINUED)

- (ii) that it is carrying out a transaction on behalf of a person, including a beneficial owner or underlying principal, who is engaged in money laundering or terrorist financing, and
  - (d) where the prescribed business has doubts about the veracity or adequacy of previously obtained identification data.
- (3) The steps referred to in paragraph (1) are that -
  - (a) the client shall be identified and his identity verified using identification data,
  - (b) any person purporting to act on behalf of the client shall be identified and his identity and his authority to so act shall be verified,
  - (c) the beneficial owner and underlying principal shall be identified and reasonable measures shall be taken to verify such identity using identification data and such measures shall include, in the case of a legal person or legal arrangement, measures to understand the ownership and control structure of the client,
  - (d) a determination shall be made as to whether the client is acting on behalf of another person and, if the client is so acting, reasonable measures shall be taken to obtain sufficient identification data to identify and verify the identity of that other person,
  - (e) information shall be obtained on the purpose and intended nature of each business relationship, and
  - (f) a determination shall be made as to whether the client, beneficial owner and any underlying principal is a politically exposed person.
- (4) A prescribed business must have regard to any relevant rules and guidance in the Handbook in determining, for the purposes of this regulation and regulation 5, what constitutes reasonable measures.

### **Additional client due diligence.**

**5.** (1) Where a prescribed business is required to carry out client due diligence, it must also carry out enhanced client due diligence in relation to the following business relationships or occasional transactions –

- (a) a business relationship or occasional transaction in which the client or any beneficial owner or underlying principal is a politically exposed person,

## APPENDIX F (CONTINUED)

- (b) a business relationship or an occasional transaction -
    - (i) where the client is established or situated in a country or territory that does not apply, or insufficiently applies, the Financial Action Task Force Recommendations on Money Laundering, or
    - (ii) which the prescribed business considers to be a high risk relationship, taking into account any notices, instructions or warnings issued from time to time by the Commission, and
  - (c) a business relationship or an occasional transaction which has been assessed as a high risk relationship under regulation 3(2)(a).
- (2) In paragraph (1) –
- (a) **"enhanced client due diligence"** means
    - (i) obtaining senior management approval for establishing a business relationship or undertaking an occasional transaction,
    - (ii) obtaining senior management approval for, in the case of an existing business relationship with a politically exposed person, continuing that relationship,
    - (iii) taking reasonable measures to establish the source of any funds and of the wealth of the client and beneficial owner and underlying principal,
    - (iv) carrying out more frequent and more extensive ongoing monitoring in accordance with regulation 11, and
    - (v) taking one or more of the following steps as would be appropriate to the particular business relationship or occasional transaction –
      - (A) obtaining additional identification data,
      - (B) verifying additional aspects of the client's identity, and
      - (C) obtaining additional information to understand the purpose and intended nature of each business relationship.

## APPENDIX F (CONTINUED)

(b) **"politically exposed person"** means –

- (i) a person who has, or has had at any time, a prominent public function or who has been elected or appointed to such a function in a country or territory other than the Bailiwick including, without limitation –
  - (A) heads of state or heads of government,
  - (B) senior politicians and other important officials of political parties,
  - (C) senior government officials,
  - (D) senior members of the judiciary,
  - (E) senior military officers, and
  - (F) senior executives of state owned body corporates,
- (ii) an immediate family member of such a person including, without limitation, a spouse, partner, parent, child, sibling, parent-in-law or grandchild of such a person and in this subparagraph **"partner"** means a person who is considered by the law of the country or territory in which the prescribed public function is held as being equivalent to a spouse, or
- (iii) a close associate of such a person, including, without limitation -
  - (A) a person who is widely known to maintain a close business relationship with such a person, or
  - (B) a person who is in a position to conduct substantial financial transactions on behalf of such a person.

(3) *[Deleted by the Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) (Amendment) Regulations, 2009]*

(4) Where the client was not a Guernsey resident when a prescribed business carried out an activity set out in regulation 4(2)(a) or (b), a prescribed business must take adequate measures to compensate for the specific risk arising as a result -

- (a) when carrying out client due diligence, and



## **APPENDIX F (CONTINUED)**

- (b) where the activity was establishing a business relationship, when carrying out monitoring of that relationship pursuant to regulation 11.

### **Client due diligence for low risk relationships.**

6. (1) Where a prescribed business is required to carry out client due diligence in relation to a business relationship or occasional transaction which has been assessed as a low risk relationship pursuant to regulation 3(2)(a), it may, subject to the following provisions of this regulation apply reduced or simplified client due diligence measures.

- (2) The discretion in paragraph (1) may only be exercised -  
in accordance with the requirements set out in chapter 6 of the Handbook.

- (b) .

(3) For the avoidance of doubt, simplified or reduced client due diligence shall not be applied -

- (a) where the prescribed business knows or suspects or has reasonable grounds for knowing or suspecting that any party to a business relationship or any beneficial owner or underlying principal is engaged in money laundering or terrorist financing, or
- (b) in relation to business relationships or occasional transactions where the risk is other than low.

### **Timing of identification and verification.**

7. (1) Identification and verification of the identity of any person or legal arrangement pursuant to regulations 4 to 6 must, subject to paragraph (2) and regulation 4(1)(b), be carried out before or during the course of establishing a business relationship or before carrying out an occasional transaction.

(2) Verification of the identity of the client and of any beneficial owners and underlying principals may be completed following the establishment of a business relationship provided that -

- (a) it is completed as soon as reasonably practicable thereafter,
- (b) the need to do so is essential not to interrupt the normal conduct of business, and
- (c) appropriate and effective policies, procedures and controls are in place which operate so as to manage risk.

## **APPENDIX F (CONTINUED)**

### **Anonymous accounts**

8. A prescribed business must, in relation to all clients-

- (a) not set up anonymous accounts or accounts in fictitious names, and
- (b) maintain accounts in a manner which facilitates the meeting of the requirements of these Regulations.

### **Non-compliance with client due diligence measures etc.**

9. Where a prescribed business cannot comply with any of regulations 4(3)(a) to (d) it must -

- (a) in the case of an existing business relationship, terminate that business relationship,
- (b) in the case of a proposed business relationship or occasional transaction, not enter into that business relationship or carry out that occasional transaction with the client, and
- (c) consider whether a disclosure must be made pursuant to Part I of the Disclosure Law<sup>c</sup> or section 12 of the Terrorism Law<sup>d</sup>.

### **Introduced business.**

10. (1) In the circumstances set out in paragraph (2), a prescribed business may accept a written confirmation of identity and other matters from an introducer in relation to the requirements of regulation 4(3)(a) to (e) provided that -

- (a) the prescribed business also requires copies of identification data and any other relevant documentation to be made available by the introducer to the prescribed business upon request and without delay, and
  - (b) the introducer keeps such identification data and documents.
- (2) The circumstances referred to in paragraph (1) are that the introducer -
- (a) is an appendix C business, or

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<sup>c</sup> Approved by resolution of the States on 30<sup>th</sup> May 2007.

<sup>d</sup> Order in Council No. XVI of 2002 as amended by Order in Council No. XIII of 2006 and the Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Ordinance, 2007.

## APPENDIX F (CONTINUED)

- (b) is either an overseas branch, or a member, of the same group of bodies corporate as, the prescribed business with which it is entering into the business relationship ("**receiving prescribed business**"), and -
  - (i) the ultimate parent body corporate of the group of bodies corporate of which both the introducer and the receiving prescribed business are members, falls within paragraph (2)(a),
  - (ii) the conduct of the introducer is subject to requirements to forestall, prevent and detect money laundering and terrorist financing that are consistent with those in the Financial Action Task Force Recommendations on Money Laundering in respect of such a business, and
  - (iii) the conduct of which is supervised for compliance with the requirements referred to in subparagraph (ii), by the Commission or an overseas regulatory authority.

(3) Notwithstanding paragraph (1), where reliance is placed upon the introducer the responsibility for complying with the relevant provisions of regulation 4 remains with the receiving prescribed business.

### PART III ENSURING COMPLIANCE AND RECORD KEEPING

#### **Monitoring transactions and other activity.**

**11.** (1) A prescribed business shall perform ongoing and effective monitoring of any existing business relationship, which shall include-

- (a) reviewing identification data to ensure it is kept up to date and relevant in particular for high risk relationships or clients in respect of whom there is a high risk,
- (b) scrutiny of any transactions or other activity, paying particular attention to all -
  - (i) complex transactions,
  - (ii) transactions which are both large and unusual, and
  - (iii) unusual patterns of transactions,

which have no apparent economic purpose or no apparent lawful purpose, and

## APPENDIX F (CONTINUED)

- (c) ensuring that the way in which identification data is recorded and stored is such as to facilitate the ongoing monitoring of each business relationship.

(2) The extent of any monitoring carried out under this regulation and the frequency at which it is carried out shall be determined on a risk sensitive basis including whether or not the business relationship is a high risk relationship.

### **Reporting suspicion.**

12. A prescribed business shall -

- (a) appoint a person of at least management level as the money laundering reporting officer and provide the name and title of that person to the Commission and the Financial Intelligence Service as soon as is reasonably practicable and, in any event, within fourteen days starting from the date of that person's appointment,
- (b) nominate another person (a "**nominated officer**") to carry out the functions of the money laundering reporting officer in his absence, and ensure that any relevant employee is aware of the name of that nominated officer,
- (c) ensure that where a relevant employee, other than the money laundering reporting officer, is required to make a disclosure under Part I of the Disclosure Law or section 12 of the Terrorism Law, that this is done by way of a report to the money laundering reporting officer, or, in his absence, to a nominated officer,
- (d) ensure that the money laundering reporting officer, or in his absence a nominated officer, in determining whether or not he is required to make a disclosure under Part I of the Disclosure Law or section 12 of the Terrorism Law, takes into account all relevant information,
- (e) ensure that the money laundering reporting officer, or, in his absence, a nominated officer, is given prompt access to any other information which may be of assistance to him in considering any report, and
- (f) ensure that it establishes and maintains such other appropriate and effective procedures and controls as are necessary to ensure compliance with requirements to make disclosures under Part I of the Disclosure Law and sections 12 of the Terrorism Law.

### **Employee screening and training.**

13. (1) A prescribed business shall maintain appropriate and effective procedures, when hiring employees or admitting any person as a partner in the business, for the purpose of ensuring high standards of employee and partner probity and competence.

## APPENDIX F (CONTINUED)

(2) A prescribed business shall ensure that relevant employees, and any partners in the business, receive comprehensive ongoing training in relation to or concerning -

- (a) the relevant enactments, these Regulations and the Handbook,
- (b) the personal obligations of employees, and partners, and their potential criminal liability under these Regulations and the relevant enactments,
- (c) the implications of non-compliance by employees, and partners, with any rules or guidance, instructions, notices or other similar instruments made for the purposes of these Regulations, and
- (d) its policies, procedures and controls for the purposes of forestalling, preventing and detecting money laundering and terrorist financing.

(3) A prescribed business shall identify relevant employees and partners in the business who, in view of their particular responsibilities, should receive additional and ongoing training, appropriate to their roles, in the matters set out in paragraph (2) and must provide such additional training.

### **Record-keeping.**

14. (1) A prescribed business shall keep-

- (a) a transaction document and any client due diligence information, or
- (b) a copy thereof,

for the minimum retention period.

(2) Where a prescribed business is required by any enactment, rule of law or court order to provide a transaction document or any client due diligence information to any person before the end of the minimum retention period, the prescribed business shall-

- (a) keep a copy of the transaction document or client due diligence information until the period has ended or the original is returned, whichever occurs first, and
- (b) maintain a register of transaction documents and client due diligence information so provided.

(3) A prescribed business shall also keep records of -

- (a) any reports made to a money laundering reporting officer as referred to in regulation 12 and of any disclosure made under Part

## APPENDIX F (CONTINUED)

I of the Disclosure Law or section 12 of the Terrorism Law made other than by way of a report to the money laundering reporting officer, for five years starting from-

- (i) in the case of a report or a disclosure in relation to a business relationship, the date the business relationship ceased, or
  - (ii) in the case of a report or a disclosure in relation to an occasional transaction, the date that transaction was completed,
- (b) any training carried out under regulation 13 for five years starting from the date the training was carried out,
- (c) any minutes or other documents prepared pursuant to regulation 15(c) until -
- (i) the expiry of a period of five years starting from the date they were finalised, or
  - (ii) they are superseded by later minutes or other documents prepared under that regulation,
- whichever occurs later, and
- (d) its policies, procedures and controls which it is required to establish and maintain pursuant to these Regulations, until the expiry of a period of five years starting from the date that they ceased to be operative.

(4) Documents and client due diligence information, including any copies thereof, kept under this regulation -

- (a) may be kept in any manner or form, provided that they are readily retrievable, and
- (b) must be made available promptly -
  - (i) to an auditor, and
  - (ii) to any police officer, the Financial Intelligence Service, the Commission or any other person, where such documents or customer due diligence information are requested pursuant to these Regulations or any relevant enactment.

## **APPENDIX F (CONTINUED)**

### **Ensuring compliance, corporate responsibility and related requirements.**

**15.** A prescribed business must, in addition to complying with the preceding requirements of these Regulations -

- (a) establish such other policies, procedures and controls as may be appropriate and effective for the purposes of forestalling, preventing and detecting money laundering and terrorist financing,
- (b) establish and maintain an effective policy, for which responsibility must be taken by the board, for the review of its compliance with the requirements of these Regulations and such policy shall include provision as to the extent and frequency of such reviews,
- (c) ensure that a review of its compliance with these Regulations is discussed and minuted at a meeting of the board at appropriate intervals, and in considering what is appropriate a prescribed business must have regard to the risk taking into account -
  - (i) the size, nature and complexity of the prescribed business,
  - (ii) its clients, products and services, and
  - (iii) the ways in which it provides those products and services, and
- (d) have regard to the provisions of the Handbook.

### **PART IIIA DESIGNATION OF SUPERVISORY AUTHORITY**

#### **Guernsey Financial Services Commission.**

**15A.** (1) The Commission is prescribed as the supervisory authority with responsibility for monitoring and enforcing compliance by prescribed businesses with

regulations and other measures made or issued under the Law, or any other enactment, for the purpose of forestalling, preventing or detecting money laundering and terrorist financing.

- (2) The Commission is also designated as the competent authority to register prescribed businesses under Part IV.
- (3) For the purpose of paragraph (1), "measures" includes rules, guidance, instructions, notices and other similar instruments

### **PART IV REGISTRATION**

## APPENDIX F (CONTINUED)

### **Registration of prescribed businesses.**

**16.** (1) A prescribed business carrying on, or holding itself out as carrying on, business in, or from within, the Bailiwick must register with the Commission in accordance with these Regulations.

(2) A prescribed business which, by virtue of paragraph (1), is under an obligation to register shall submit, and pay, to the Commission -

- (a) a statement, in such form and manner as the Commission may determine, of -
  - (i) the legal name and any trading names of the business,
  - (ii) its place and date of incorporation or establishment,
  - (iii) its principal place of business and any other business addresses in the Bailiwick,
  - (iv) details of the type or types of business carried out,
  - (v) the name of the money laundering reporting officer, and
  - (vi) the number of full time (or full time equivalent) members of staff (including executive directors and partners), and
- (b) subject to paragraph (3), a non-refundable registration fee of £590 plus, where the business has more than 5 full time (or full time equivalent) members of staff (including executive directors and partners), whichever is the lesser of -
  - (i) an amount calculated on the basis of £90 for each full time (or full time equivalent) member of staff (including executive directors and partners), less £450, or
  - (ii) £1,800,

provided that where the statement referred to in subparagraph (a) is submitted on or after 1 February in any year the fee, and any additional amount due under the preceding provisions of this subparagraph, payable upon registration, shall be reduced by one twelfth and by a further twelfth for each complete calendar month which has elapsed during the period commencing upon the 1 February in question and ending on the day of that year in which the statement is submitted.

(3) Any fee payable under paragraph (2)(b) or regulation 17(2) shall be reduced as follows -



## APPENDIX F (CONTINUED)

- (a) by 50 per centum where the registration relates to a business -
  - (i) which holds or is deemed to hold a licence, consent, registration, permission or authorisation from the Commission under any of the regulatory Laws, or
  - (ii) which is a member of a group of bodies corporate where one or more other members of that group are also under an obligation to pay a registration fee to the Commission under this regulation, or
- (b) by 75 per centum where the registration relates to a business -
  - (i) which holds or is deemed to hold a licence, consent, registration, permission or authorisation from the Commission under any of the regulatory Laws, and
  - (ii) which is a member of a group of bodies corporate where one or more other members of that group are also under an obligation to pay a registration fee to the Commission under this regulation.
- (4) On receipt of -
  - (a) a statement containing all the information referred to in paragraph (2)(a), and
  - (b) the registration fee,

the Commission shall register the prescribed business.

### **Validity of registration, annual fee and general requirements.**

17. (1) The registration of a prescribed business shall remain effective until it is surrendered under regulation 20.
- (2) An annual fee calculated in the same manner as provided for under regulation 16(2)(b) (subject to any reduction applicable under regulation 16(3)) shall be payable, on, or within 30 days following 1 January in each calendar year following the year of registration, in respect of each prescribed business registered under this Part.
- (3) A prescribed business must inform the Commission of any change occurring to the information given to the Commission for the purposes of its registration under regulation 16(2)(a)(i) to (v) or to any information given to the Commission thereafter -
- (a) prior to making such a change, or
  - (b) where a change is sudden or unexpected, promptly after such change is made,

## APPENDIX F (CONTINUED)

and for the purposes of this paragraph a change to such information shall include the intention to cease being a prescribed business to which these Regulations apply.

(4) A prescribed business must provide to the Commission by 14 December in each year a statement of the number of full time (including full time equivalent) members of staff (including executive directors and partners) employed by, or forming, the business as at 30 November in that year, calculated in accordance with the following formula:-

$$A+B+C=X$$

Where

A is the number of full time employees,

B is the number of executive directors and partners,

C is the total hours worked by part time employees divided by the number of hours in the prescribed business's working week rounded up to the nearest whole number, where the result is equal to or greater than .5 and rounded down if less than .5,

X is the number of full time (including full time equivalent) members of staff,

### **Conditions of registration.**

**18.** (1) The Commission may, when registering a prescribed business or at any time thereafter, impose such conditions in respect of the registration as it thinks fit.

(2) The Commission may vary or rescind any condition of a registration.

(3) Without prejudice to the generality of paragraph (1), the conditions which may be imposed in respect of a registration may make provision in the interests of the clients or potential clients of the prescribed business and for the protection of the public or of the reputation of the Bailiwick as a finance centre, and conditions may (without limitation) -

- (a) require the prescribed business to take certain steps, to refrain from adopting or pursuing a particular course of action or to restrict the scope of its business in a particular way,
- (b) impose limitations on the acceptance or carrying on of business,
- (c) prohibit the prescribed business from soliciting (whether at all or in any specified manner) business, either generally or from particular persons or classes of persons, or
- (d) require the prescribed business to provide, in whatever form and manner and at whatever time the Commission may reasonably determine, evidence of compliance with any provision of, or made under, any of the relevant enactments.

## **APPENDIX F (CONTINUED)**

(4) The Commission may give public notice of the imposition, variation or rescission of a condition in respect of a registration and the date from which any such condition is effective, and, in deciding whether or not to do so, the Commission shall have regard to the interests of the clients and potential clients of the prescribed business and the protection of the public and the reputation of the Bailiwick as a finance centre.

(5) Where the Commission decides, otherwise than with the agreement of the prescribed business concerned, to impose, vary or rescind any condition in respect of a registration, the Commission shall serve upon the prescribed business concerned, in accordance with the provisions of regulation 22, notice in writing of the decision setting out particulars of the condition in question.

### **Suspension of registration.**

**19.** (1) The Commission may suspend the prescribed business's registration at the request of the business concerned.

(2) The suspension of a registration in pursuance of paragraph (1) shall be for such period as is approved for the purpose by the Commission.

(3) During a period of suspension of a registration in pursuance of paragraph (1) the suspended prescribed business may not carry on, or hold itself out as carrying on, business of the description to which the registration relates in or from within the Bailiwick.

### **Surrender of registration.**

**20.** (1) A prescribed business may surrender its registration by notice in writing served upon the Commission.

(2) A surrender shall take effect upon service of the notice or at such later date as may be specified therein and, where a later date is so specified, the prescribed business may by a further notice in writing served upon the Commission substitute an earlier date upon which the surrender is, subject as aforesaid, to take effect, not being earlier than the date upon which the further notice was served.

(3) The surrender of a registration shall be irrevocable unless it is expressed to take effect on a particular date and, before that date, the Commission, upon the written application of the prescribed business concerned by notice in writing to that business, allows the surrender to be withdrawn.

### **List of, and information as to, registered prescribed businesses.**

**21.** (1) The Commission shall -

- (a) establish and maintain, in such form as the Commission may determine, a list of all prescribed businesses which are for the time being registered under this Part,
- (b) make available to any person, on request and on payment of such charge (if any) as the Commission may reasonably demand to cover the cost of preparation, a copy of that list, and

## **APPENDIX F (CONTINUED)**

(c) publish a copy of the list on the Commission's official website.

(2) The list maintained under paragraph (1) shall contain, in relation to each prescribed business -

(a) a statement of -

(i) the legal name and any trading names of the business, and

(ii) its principal place of business and any other business addresses in the Bailiwick, and

(b) such other particulars as the Commission may determine.

(3) If at any time it appears to the Commission that the list maintained under paragraph (1), or any particular contained in an entry in that list, is inaccurate, the Commission shall make such addition, erasure or other alteration to that list or entry as the Commission considers necessary.

(4) The Commission may give public notice of the fact -

(a) that a particular business -

(i) has been registered under this Part, or

(ii) has ceased to be registered by virtue of the voluntary suspension or surrender of the registration, or

(b) that a condition upon the registration of a particular business has been imposed, varied or rescinded,

and, in deciding whether or not to do so, the Commission shall have regard to the interests of the public and the protection and enhancement of the reputation of the Bailiwick as a finance centre.

### **Notice of Commission's decision to impose conditions, etc.**

22. Notice of a decision of the Commission required to be served under regulation 18(5) -

(a) shall state the grounds of the Commission's decision, and

(b) shall give particulars of the right of appeal conferred by regulation 23.

### **Appeals against decisions of Commission.**

23. (1) A person aggrieved by a decision of the Commission to impose, vary or rescind any condition in respect of his registration under regulation 18 may appeal to the Court against the decision.

## APPENDIX F (CONTINUED)

- (2) The grounds of an appeal under this regulation are that -
  - (a) the decision was ultra vires or there was some other error of law;
  - (b) the decision was unreasonable,
  - (c) the decision was made in bad faith,
  - (d) there was a lack of proportionality, or
  - (e) there was a material error as to the facts or as to the procedure.
- (3) An appeal under this regulation shall be instituted -
  - (a) within a period of 28 days immediately following the date of the notice of the Commission's decision, and
  - (b) by summons served on the Chairman, or vice-Chairman, of the Commission stating the grounds and material facts on which the appellant relies.
- (4) The Commission may, where an appeal under this regulation has been instituted, apply to the Court, by summons served on the appellant, for an order that the appeal shall be dismissed for want of prosecution, and upon hearing the application the Court may -
  - (a) dismiss the appeal or dismiss the application (in either case upon such terms and conditions as the Court may direct), or
  - (b) make such other order as the Court considers just,

and the provisions of this paragraph are without prejudice to the inherent powers of the Court or to any other rule of law empowering the Court to dismiss the appeal or the application for want of prosecution.

- (5) On an appeal under this regulation the Court may -
  - (a) set the decision of the Commission aside and, if the Court considers it appropriate to do so, remit the matter to the Commission with such directions as the Court thinks fit, or
  - (b) confirm the decision, in whole or in part.
- (6) On an appeal under this regulation against a decision described in paragraph (1) the Court may, upon the application of the appellant, and on such terms as the Court thinks just, suspend or modify the operation of the condition in question, or the variation or rescission thereof, pending the determination of the appeal.

## APPENDIX F (CONTINUED)

(7) In this regulation, "**the Court**" means the Royal Court constituted by the Bailiff sitting unaccompanied by the Jurats, and the Court may appoint one or more assessors to assist it in the determination of the proceedings or any matter relevant thereto.

(8) An appeal from a decision of the Royal Court made under these Regulations shall lie to the Court of Appeal on a question of law.

### PART V MISCELLANEOUS

#### **Extension of sections 49B and 49C of the Law.**

24. Sections 49B and 49C of the Law extend in respect of any prescribed business as if references in those sections to "financial services business" or "section 49" were references to "prescribed business" and "section 49A" respectively.

#### **Offences as to false or misleading information, etc.**

25. (1) If a person -

- (a) in connection with the submission of a statement for the purposes of obtaining a registration under these Regulations,
- (b) in purported compliance with a requirement imposed by these Regulations, or
- (c) otherwise than as mentioned in paragraph (a) or (b), but in circumstances in which that person intends, or could reasonably be expected to know, that any statement, information or document provided by him would or might be used by the Commission for the purpose of exercising its functions conferred by these Regulations,

does any of the following: -

- (i) makes a statement which he knows or has reasonable cause to believe to be false, deceptive or misleading in a material particular,
- (ii) dishonestly or otherwise, recklessly makes a statement which is false, deceptive or misleading in a material particular,
- (iii) produces or furnishes or causes or permits to be produced or furnished any information or document which he knows or has reasonable cause to believe to be false, deceptive or misleading in a material particular, or

## APPENDIX F (CONTINUED)

- (iv) dishonestly or otherwise, recklessly produces or furnishes or recklessly causes or permits to be produced or furnished any information or document which is false, deceptive or misleading in a material particular,

he is guilty of an offence.

(2) A prescribed business, or any director, controller, partner, senior officer or beneficial owner of a prescribed business, who fails to provide the Commission with any information in his possession knowing or having reasonable cause to believe -

- (a) that the information is relevant to the exercise by the Commission of its functions under these Regulations in relation to the business, and
- (b) that the withholding of the information is likely to result in the Commission being misled as to any matter which is relevant to and of material significance to the exercise of those functions in relation to the business,

is guilty of an offence.

### **Other offences.**

26. (1) A prescribed business -

- (a) which -
  - (i) carries on, or
  - (ii) holds itself out as carrying on,business in, or from within, the Bailiwick whilst it is not registered in accordance with regulation 16, or
- (b) which is a registered prescribed business, or whilst under an obligation to register in accordance with regulation 16 is not so registered, and which contravenes, or fails to comply with any other provision of these Regulations,

is guilty of an offence.

(2) A registered prescribed business which breaches, or fails to comply with, a condition imposed under regulation 18 is guilty of an offence.

## **APPENDIX F (CONTINUED)**

### **Penalties.**

27. A person or body guilty of an offence under regulation 25 or 26 is liable -
- (a) on summary conviction, to imprisonment for a term not exceeding 6 months or a fine not exceeding level 5 on the uniform scale, or to both, or
  - (b) on conviction on indictment, to imprisonment not exceeding a term of five years or a fine or both.

### **Transitional provisions.**

28. (1) A prescribed business must, on the 5<sup>th</sup> December, 2008, or within 14 days thereafter, send to the Commission a certificate, in such form as is approved by the Commission for the purpose, signed on behalf of the business certifying that it has, throughout the period -

- (a) commencing -
  - (i) on the day that these Regulations are made, or
  - (ii) if later, the day that the business commences trading, and
- (b) ending on 5<sup>th</sup> December, 2008,

satisfied the requirements set out in paragraph (2).

(2) The requirements for the purposes of paragraph (1) are that the business has complied with -

- (a) such of these Regulations,
- (b) such provisions of the Handbook issued by the Commission, and
- (c) such instructions, or notices, issued by the Commission under the Law,

as may be in force during the relevant period referred to in paragraph (1) .

### **Limitation of liability of Commission.**

29. (1) No liability shall be incurred by -

- (a) the Commission, or
- (b) any officer, servant or member of the Commission,

in respect of anything done or omitted to be done after the commencement of these Regulations in the discharge or purported discharge of its or their functions and powers under these Regulations.



## APPENDIX F (CONTINUED)

- (2) Paragraph (1) does not apply -
  - (a) if the thing done or omitted to be done is shown to have been in bad faith, or
  - (b) so as to prevent an award of damages made in respect of an act or omission on the ground that the act or omission was unlawful by virtue of section 6(1) of the Human Rights (Bailiwick of Guernsey) Law, 2000<sup>e</sup>.
- (3) The Commission shall have no obligation to make any enquiries concerning -
  - (a) a registration, or
  - (b) the continued registration,of any prescribed business.

### **Interpretation.**

- 30.** (1) In these Regulations, unless the context requires otherwise -

**"account"** means a bank account and any other business relationship between a prescribed business and a client which is of a similar nature having regard to the services offered by the prescribed business,

**"Advocate"** means an Advocate of the Royal Court of Guernsey,

**"anonymous account"** means an account or business relationship set up in such a manner as to deliberately conceal the true identity of a client,

**"appendix C business"** means -

- (a) a financial services business supervised by the Commission,
- (b) a prescribed business registered under these Regulations, or
- (c) a business -
  - (i) which is carried on from a country or territory listed in Appendix C to the Handbook and which would, if it were carried on in the Bailiwick, be -

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<sup>e</sup> Order in Council No. XIV of 2000 and No. I of 2005.

## APPENDIX F (CONTINUED)

- (A) a financial services business, or
- (B) a prescribed business,
- (ii) which may only be carried on in that country or territory by a person regulated for that purpose under the law of that country or territory,
- (iii) the conduct of which is subject to requirements to forestall, prevent and detect money laundering and terrorist financing that are consistent with those in the Financial Action Task Force Recommendations on Money Laundering in respect of such a business, and
- (iv) the conduct of which is supervised for compliance with the requirements referred to in subparagraph (iii), by an overseas regulatory authority,

**"Bailiwick"** means the Bailiwick of Guernsey,

**"beneficial owner"** means, in relation to a business relationship or occasional transaction -

- (a) the natural person who ultimately owns or controls the client, and
- (b) a person on whose behalf the business relationship or occasional transaction is to be or is being conducted and, in the case of a foundation or trust or other legal arrangement, this shall mean -
  - (i) any beneficiary in whom an interest has vested, and
  - (ii) any other person who benefits from that foundation or trust or other legal arrangement,

**"board"** means -

- (a) the board of directors of a prescribed business, where it is a body corporate, or
- (b) the senior management of a prescribed business, where it is not a body corporate,

**"business relationship"** means a business, professional or commercial relationship between a prescribed business and a client which is expected by the prescribed business, at the time when contact is established, to have an element of duration.

## APPENDIX F (CONTINUED)

**"business risk assessment"** means an assessment which documents the exposure of a business to money laundering and terrorist financing risks, and vulnerabilities, taking into account its –

- (a) size, nature and complexity, and
- (b) clients, products and services and the ways in which it provides those services,

**"the Commission"** means the Guernsey Financial Services Commission established by the Financial Services Commission (Bailiwick of Guernsey) Law, 1987<sup>f</sup>,

**"client"** means a person or legal arrangement -

- (a) who is seeking to establish or has established, a business relationship with a prescribed business, or
- (b) who is seeking to carry out, or has carried out, an occasional transaction with a prescribed business,

except that where such a person or legal arrangement is an introducer, the client is the person or legal arrangement on whose behalf the introducer is seeking to establish or has established the business relationship and provided that in the case of the prescribed business of estate agency, a client also includes a person or legal arrangement who wishes to acquire an interest in, or in respect of, real property,

**"client due diligence"** means the steps which a prescribed business is required to carry out pursuant to regulation 4(3),

**"client due diligence information"** means -

- (a) identification data, and
- (b) any account, files and correspondence relating to the business relationship or occasional transaction,

**"Disclosure Law"** means the Disclosure (Bailiwick of Guernsey) Law, 2007,

**"document"** includes information recorded in any form (including, without limitation, in electronic form),

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<sup>f</sup> Ordres en Conseil Vol. XXX, p. 243, Orders in Council No. XX of 1991, No. XIII of 1994, No. II of 1997, No. II of 1998 and Nos. XVII and XXI of 2002, No. XXII of 2003 and Ordinance No. XXXIV of 2005.

## APPENDIX F (CONTINUED)

**"employee"** means an individual working, including on a temporary basis, for a prescribed business whether under a contract of employment, a contract for services or otherwise,

**"enactment"** includes a Law, an Ordinance or any subordinate legislation and any provision or portion of a Law, an Ordinance or any subordinate legislation,

**"enhanced client due diligence"** shall be construed in accordance with regulation 5(2)(a),

**"Financial Action Task Force Recommendations on Money Laundering"** means the International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation issued by the Financial Action Task Force as revised or reissued from time to time,

**"Financial Intelligence Service"** means the division of the Financial Investigation Unit, comprising those police officers and other persons assigned to the division for the purpose of the receipt, analysis and dissemination within the Bailiwick, and elsewhere, of disclosures which are more commonly known or referred to as suspicious transaction reports or suspicious activity reports,,

**"Financial Investigation Unit"** means that branch of the Customs and Immigration Service responsible for the investigation of financial and economic crime,

**"Foundation"** means –

(a) a foundation created under the Foundations (Guernsey) Law, 2012

or

(b) an equivalent or similar body created or established under the law of another jurisdiction (and howsoever named),

**"Foundation official"** means –

(a) in relation to a foundation created under the Foundations (Guernsey) Law, 2012, a foundation official within the meaning of that Law, and

(b) in relation to an equivalent or similar body created or established under the law of another jurisdiction, a person with functions corresponding to those of a foundation official described in subparagraph (a).

**"Founder"** means –

(a) in relation to a foundation created under the Foundations (Guernsey) Law, 2012, a founder within the meaning of that Law, and

## APPENDIX F (CONTINUED)

(b) in relation to an equivalent or similar body created or established under the law of another jurisdiction, a person corresponding to a founder described in subparagraph (a).

**"Handbook"** means the Handbook for Prescribed Businesses on Countering Financial Crime and Terrorist Financing as revised or re-issued from time to time by the Commission,

**"high risk relationship"** means a business relationship or an occasional transaction which has a high risk of involving money laundering or terrorist financing and related terms shall be construed accordingly,

**"identification data"** means documents which are from a reliable and independent source,

**"introducer"** means a financial services business or prescribed business which is seeking to establish or has established, on behalf of another person or legal arrangement who is its customer or client, a business relationship with a prescribed business,

**"the Law"** means the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999,

**"legal arrangement"** means an express trust or any other vehicle whatsoever which has a similar legal effect,

**"low risk relationship"** means a business relationship or an occasional transaction which has a low risk of involving money laundering or terrorist financing and related terms shall be construed accordingly,

**"minimum retention period"** means-

(a) in the case of any client due diligence information -

(i) a period of five years starting from the date-

(A) where the client has established a business relationship with the prescribed business, that relationship ceased,

(B) where the client has carried out an occasional transaction with the prescribed business, that transaction was completed, or

(ii) such other longer period as the Commission may direct,

(b) in the case of a transaction document -

## APPENDIX F (CONTINUED)

- (i) a period of five years starting from the date that both the transaction and any related transaction were completed, or
- (ii) such other longer period as the Commission may direct,

**"money laundering"** is any act which -

- (a) constitutes an offence under section 38, 39 or 40 of the Law,
- (b) constitutes an offence under section 57, 58 or 59 of the Drug Trafficking (Bailiwick of Guernsey) Law, 2000<sup>g</sup>,
- (c) constitutes an attempt, conspiracy or incitement to commit an offence specified in paragraph (a) or (b),
- (d) constitutes aiding, abetting, counselling or procuring the commission of an offence specified in paragraph (a) or (b), or
- (e) would constitute an offence specified in paragraph (a), (b), (c) or (d) if done in the Bailiwick,

irrespective of the value of the property involved and for the purposes of this definition having possession of any property shall be taken to be doing an act in relation to it,

**"money laundering reporting officer"** means a manager, partner or director -

- (a) appointed by a prescribed business to have responsibility for compliance with policies, procedures and controls to forestall, prevent and detect money laundering and terrorist financing, and
- (b) nominated by a prescribed business to receive disclosures under Part I of the Disclosure Law and section 12 of the Terrorism Law,

**"notify"** means notify in writing,

**"occasional transaction"** means any transaction involving more than £10,000, carried out by the prescribed business in question in the course of that business, where no business relationship has been proposed or established and includes such transactions carried out in a single operation or two or more operations that appear to be linked,

**"overseas regulatory authority"** means any body or authority which appears to the Commission to carry out, in a country or territory outside the Bailiwick, functions corresponding to those carried out by the Commission,

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<sup>g</sup> Order in Council No. VII of 2000 as amended by Order in Council No. II of 2005.

## APPENDIX F (CONTINUED)

**"police officer"** has the meaning in section 51(1) of the Law,

**"politically exposed person"** shall be construed in accordance with regulation 5(2)(b),

**"prescribed business"** means any business which is a relevant business for the purposes of the Law, but does not include a business of a type described in paragraphs 2 or 4 of Schedule 2 to the Law,

**"registered prescribed business"** means a prescribed business which is registered under Part IV,

**"regulatory Laws"** has the meaning given in section 24 of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987,

**"relevant employees"** means any -

- (a) member of the board,
- (b) member of the management of the prescribed business, and
- (c) employees whose duties relate to the prescribed business,

**"relevant enactments"** means -

- (a) [Repealed]
- (b) [Repealed]
- (c) the Law,
- (d) the Drug Trafficking (Bailiwick of Guernsey) Law, 2000,
- (e) [Repealed]
- (f) the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011,
- (g) the Al-Qaida and Taliban (Freezing of Funds) (Guernsey) Ordinance, 2011,
- (h) the Terrorism Law,
- (i) the Disclosure Law,
- (j) the Disclosure (Bailiwick of Guernsey) Regulations, 2007<sup>h</sup>,

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<sup>h</sup> G.S.I. 2007 No. 34.

## APPENDIX F (CONTINUED)

- (k) the Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007<sup>i</sup>,
- (l) the Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations, 2008<sup>j</sup>,
- (m) the Registration of Non-Regulated Financial Services Businesses (Bailiwick of Guernsey) Law, 2008,

and such other enactments relating to money laundering and terrorist financing as may be enacted or made from time to time in respect of the Bailiwick or any part thereof,

**"risk"** means a risk of money laundering or terrorist financing occurring and

**"risk assessment"** shall be construed accordingly,

**"subordinate legislation"** means any ordinance, statutory instrument, regulation, rule, order, notice, rule of court, resolution, scheme, warrant, byelaw or other instrument made under any enactment and having legislative effect,

**"Terrorism Law"** means the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002,

**"terrorist financing"** means doing any act which -

- (a) constitutes an offence under section 8, 9, 10 or 11 of the Terrorism Law [or section 9, 10, 11, 12 or 13 of the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011 or section 2 or 3 of the Al-Qaida and Taliban (Freezing of Funds) (Guernsey) Ordinance, 2011 and, for the purposes of this definition, the "purposes of terrorism" shall include, to the extent that they do not already do so -
  - (i) any attempt, conspiracy or incitement to carry out terrorism within the meaning of section 1 of the Terrorism Law, or
  - (ii) aiding, abetting, counselling or procuring the carrying out of such terrorism,
- (b) constitutes an attempt, conspiracy or incitement to commit an offence specified in paragraph (a),

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<sup>i</sup> G.S.I. 2007 No. 36.

<sup>j</sup> G.S.I. 2007 No. 33



## APPENDIX F (CONTINUED)

- (c) constitutes aiding, abetting, counselling or procuring the commission of an offence specified in paragraph (a), or
- (d) would, in the case of an act done otherwise than in the Bailiwick, constitute an offence specified in paragraph (a), (b) or (c) if done in the Bailiwick,

irrespective of the value of the property involved, and for the purposes of this definition having possession of any property shall be taken to be doing an act in relation to it,

**"transaction document"** means a document which is a record of a transaction carried out by a prescribed business with a client or an introducer,

**"underlying principal"** means, in relation to a business relationship or occasional transaction, any person who is not a beneficial owner but who-

- (a) is a settlor, trustee or a protector or enforcer of a trust, or a founder or foundation official of a foundation which is the customer, or client, or the beneficiaries of which are the beneficial owners, or
- (b) exercises ultimate effective control over the customer or client or exercises or is to exercise such control over the business relationship or occasional transaction,

and in this definition **"protector"** has the meaning in section 58 of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000<sup>k</sup>,

**"uniform scale"** means the uniform scale of fines for the time being in force under the Uniform Scale of Fines (Bailiwick of Guernsey) Law, 1989<sup>l</sup>,

and other expressions have the same meanings as in the Law.

(2) A reference to an enactment is to that enactment as from time to time amended, repealed and replaced, extended or applied by or under any other enactment.

(3) In these Regulations, unless the context requires otherwise words and expressions importing the neuter gender include the masculine and the feminine.

(4) The Interpretation (Guernsey) Law, 1948<sup>m</sup> applies to the interpretation of these Regulations.

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<sup>k</sup> Order in Council No. I of 2001, amended by No. XIV of 2003.

<sup>l</sup> Ordres en Conseil Vol. XXXI, p. 278; Ordinance No. XXIX of 2006.

<sup>m</sup> Ordres en Conseil Vol. XIII, p. 355.

## **APPENDIX F (CONTINUED)**

### **NOTES**

*In section 19, the words in square brackets in subparagraph (a) of the definition of terrorist financing were inserted by the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011, section 36, Schedule, paragraph 6, with effect from 26<sup>th</sup> January, 2012.*

Dated this 8th day of September, 2008

L S TROTT

Chief Minister

For and on behalf of the Policy Council

## APPENDIX F (CONTINUED)

### EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations impose requirements on prescribed businesses for the purpose of forestalling and preventing money laundering and terrorist financing. Prescribed businesses are businesses undertaken by lawyers, accountants and estate agents.

They contain new obligations relating to carrying out risk assessments in relation to a prescribed business as a whole and each business relationship it has with a client (regulation 3), more precise requirements relating to the identification of persons on whose behalf transactions are carried out or who have effective control over clients (regulation 4), the timing of client due diligence (regulation 7), provisions relating to the maintenance of client accounts (regulation 8), the monitoring of business relationships (regulation 11) and ensuring compliance and corporate responsibility for compliance (regulation 15).

Part I of the Regulations contains the requirements relating to risk assessment, Part II the requirements relating to client due diligence including where enhanced due diligence must be carried out or where reduced or simplified due diligence may be carried out. Part III contains the requirements on prescribed businesses to ensure their compliance with the Regulations, on record keeping and on internal reporting of suspicious transactions and employee training. Part IV provides for registration with the Commission of all prescribed businesses and for the payment of a registration fee and annual fees designed to cover the Commission's administrative costs. Part V extends certain provisions of the Criminal Justice (Proceeds of Crime) Law, 1999, as amended, to prescribed businesses. It also deals with offences and penalties, limitation of the Commission's liability and interpretation.

A Court must take into account rules and guidance contained in the Guernsey Financial Services Commission's Handbook for Prescribed Businesses on Countering Financial Crime and Terrorist Financing in determining whether a prescribed business has complied with these Regulations.

## APPENDIX G

### LINKS TO USEFUL WEBSITE ADDRESSES

Selection of the link listed below will take you to the corresponding website.

#### Links to official sites in Guernsey

[Guernsey Financial Services Commission](#)  
[Guernsey Finance](#)  
[Guernsey Financial Intelligence Service](#)  
[States of Guernsey](#)

#### Links to other official sites

[Asia/Pacific Group on Money Laundering](#)  
[Basel Committee for Banking Supervision](#)  
[British Bankers Association](#)  
[Caribbean Financial Action Task Force \(CFATF\)](#)  
[Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures \(MONEYVAL\)](#)  
[Eastern and Southern Africa Anti-Money Laundering Group \(ESAAMLG\)](#)  
[Eurasian Group \(EAG\)](#)  
[European Parliament](#)  
[Financial Action Task Force](#)  
[Financial Action Task Force on Money Laundering in South America \(GAFISUD\)](#)  
[Group of States against Corruption](#)  
[HM Treasury](#)  
[HM Treasury – Asset Freezing Unit](#)  
[Intergovernmental Action Group against Money-Laundering in Africa \(GIABA\)](#)  
[International Association of Insurance Fraud Agencies, Inc](#)  
[International Association of Insurance Supervisors](#)  
[International Monetary Fund](#)  
[International Organization of Securities Commissions](#)  
[Interpol](#)  
[Isle of Man Financial Supervision Commission](#)  
[Isle of Man Insurance and Pensions Authority](#)  
[Jersey Financial Services Commission](#)  
[Middle East and North Africa Financial Action Task Force \(MENAFATF\)](#)  
[Offshore Group of Banking Supervisors](#)  
[Offshore Group of Insurance Supervisors](#)  
[Organisation for Economic Cooperation and Development](#)  
[Transparency International Corruption Perception Index](#)  
[UK Financial Services Authority](#)  
[UK Foreign and Commonwealth Office](#)  
[UK Joint Money Laundering Steering Group](#)  
[UK Office of Public Sector Information](#)  
[UK Serious Organised Crime Authority](#)  
[United Nations](#)  
[United Nations – Office on Drugs and Crime \(UNODC\)](#)  
[World Bank](#)

## PROJET DE LOI

ENTITLED

### **The Prevention of Corruption (Bailiwick of Guernsey) Law, 2003**

#### ARRANGEMENT OF SECTIONS

1. Corrupt transactions with agents.
2. Meaning of "agent".
3. Corruption by public officials.
4. Corruption committed outside the Bailiwick.
5. Corruption occurring partially in the Bailiwick.
6. Offences by bodies corporate.
7. Search warrants.
8. Interpretation.
9. Common law bribery.
10. Repeal.
11. Citation.

## PROJET DE LOI

ENTITLED

### **The Prevention of Corruption (Bailiwick of Guernsey) Law, 2003**

**THE STATES**, in pursuance of their Resolution of the 1<sup>st</sup> day of November 2001<sup>a</sup>, have approved the following provisions which, subject to the Sanction of Her Most Excellent Majesty in Council, shall have force of law in the Bailiwick of Guernsey.

#### **Corrupt transaction with agents.**

1. (1) An agent or any other person who corruptly -

(a) accepts or obtains; or

(b) agrees to accept or attempts to obtain,

for himself, or for any other person, any gift, consideration or advantage as an inducement to, or reward for, or otherwise on account of, the agent doing any act or making any omission in relation to his office or position or his principal's affairs or business shall be guilty of an offence.

(2) A person who corruptly -

(a) gives or agrees to give, or

(b) offers,

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<sup>a</sup>

Article XXI of Billet d'État No. XXI of 2001.

## APPENDIX H (CONTINUED)

any gift, consideration or advantage to an agent or any other person, whether for the benefit of that agent, person or other person, as an inducement to, or reward for, or otherwise on account of, the agent doing any act or making any omission in relation to his office or position or his principal's affairs or business shall be guilty of an offence.

- (3) For the purposes of this section it is immaterial if -
  - (a) the principal's affairs or business have no connection with the Bailiwick and are conducted in a country or territory outside the Bailiwick;
  - (b) the agent's functions have no connection with the Bailiwick and are carried out in a country outside the Bailiwick.
- (4) A person guilty of an offence under this section shall be liable-
  - (a) on summary conviction, to imprisonment for a term not exceeding 12 months, to a fine not exceeding level 5 on the uniform scale, or to both; or
  - (b) on conviction on indictment, to imprisonment for a term not exceeding 7 years, to a fine, or to both.
- (5) In this section -

**"consideration"** includes valuable consideration of any kind;

**"principal"** includes any employer.

### **Meaning of "agent".**

- 2. (1) In this Law -

## APPENDIX H (CONTINUED)

**"agent"** includes -

- (a) any person employed by or acting for another,
- (b) without prejudice to the generality of paragraph (a), a person of any of the following descriptions -
  - (i) a member of the States of Guernsey, the States of Alderney or the Chief Pleas of Sark,
  - (ii) the Bailiff, the Deputy Bailiff or a Lieutenant Bailiff,
  - (iii) a Judge of the Court of Appeal,
  - (iv) a Jurat of the Royal Court,
  - (v) the Magistrate or Assistant Magistrates,
  - (vi) a Jurat of the Court of Alderney,
  - (vii) a member of any tribunal created by or under any enactment of the Bailiwick or any part thereof,
  - (viii) the Seneschal of Sark or his Deputy,
  - (ix) Her Majesty's Procureur and any Procureur délégué,
  - (x) Her Majesty's Comptroller and any Contrôle délégué,
  - (xi) Her Majesty's Greffier and his Deputies,
  - (xii) Her Majesty's Sheriff and his Deputies,



## APPENDIX H (CONTINUED)

- (xiii) Her Majesty's Sergeant and his Deputies,
  - (xvi) the Clerk of the Court of Alderney,
  - (xv) the Greffier of Sark or his Deputy,
  - (xvi) the Prevôt of Sark or his Deputy,
  - (xvii) the Constable and Vingtenier of Sark;
  - (xviii) a person elected to Parochial office in Guernsey;
  - (xix) a member of a Parish Douzaine;
  - (xx) an auditor;
  - (xxi) a non States member of a States' Committee;
  - (xxii) a member of any body created by or under any enactment responsible for the regulation of any type of business or other activity,
  - (xxiii) any other person employed by or acting on behalf of the public administration in any part of the Bailiwick, and
- (c) without prejudice to the generality of paragraph (a), a person of any of the following descriptions -
- (i) a member of the government of any other country or territory,
  - (ii) a member of a parliament, regional or national, of any

## APPENDIX H (CONTINUED)

other country or territory,

- (iii) a member of the European Parliament,
- (iv) a member of the Court of Auditors of the European Communities,
- (v) a member of the Commission of the European Communities,
- (vi) a public prosecutor in any other country or territory,
- (vii) a Judge of a court in any other country or territory,
- (viii) a Judge of any court established under an international agreement,
- (ix) a member of, or any other person employed by or acting for or on behalf of, any body established under an international agreement,
- (x) a member of a body created by law in any other country or territory responsible for the regulation of any type of business or other activity, and
- (xi) any other person employed by or acting on behalf of the public administration of any other country or territory.

- (2) The States by Ordinance may amend subsection (1).

## **APPENDIX H (CONTINUED)**

### **Corruption by public officials.**

3. (1) A public official who does or does not do any act in relation to his office for the purpose of corruptly obtaining a gift, consideration or advantage for himself or any other person shall be guilty of an offence.

(2) A person guilty of an offence under this section shall be liable-

- (a) on summary conviction, to imprisonment for a term not exceeding 12 months, to a fine not exceeding level 5 on the uniform scale, or to both; or
- (b) on conviction on indictment, to imprisonment for a term not exceeding 7 years, to a fine, or to both.

(3) In this section -

**"consideration"** includes valuable consideration of any kind;

**"public official"** means a person referred to in section 2(1)(b).

### **Corruption committed outside the Bailiwick.**

4. (1) This section applies if -

- (a) a Bailiwick person or a body incorporated under the law of any part of the Bailiwick does or omits to do anything in a country or territory outside the Bailiwick, and
- (b) the act or omission would, if done in the Bailiwick, constitute any offence under this Law.

(2) In such a case -

## APPENDIX H (CONTINUED)

- (a) the act or omission constitutes the offence concerned, and
- (b) proceedings for the offence may be taken in the Bailiwick.

(3) A "**Bailiwick person**" means a person who is an agent by reason of section 2(1)(b) or any other person who is ordinarily resident in the Bailiwick and who is -

- (a) a British citizen, a British Dependent Territories citizen, a British National (Overseas) or a British Overseas citizen,
- (b) a person who under the British Nationality Act 1981 is a British subject, or
- (c) a British protected person within the meaning of that Act.

### **Corruption occurring partially in the Bailiwick.**

5. A person may be tried in the Bailiwick for an offence under sections 1 or 3, if any of the acts or omissions alleged to constitute the offence was committed in the Bailiwick notwithstanding that other acts or omissions constituting the offence were committed outside the Bailiwick.

### **Offences by bodies corporate.**

6. (1) Where an offence under this Law is committed by a body corporate and is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other officer of the body corporate or any person purporting to act in any such capacity, he as well as the body corporate is guilty of the offence and may be proceeded against and punished accordingly.

(2) Where the affairs of a body corporate are managed by its members, subsection (1) shall apply in relation to the acts and defaults of a member in connection with his functions of management as if he were a director or manager of the body corporate.

## APPENDIX H (CONTINUED)

### **Search warrants.**

7. (1) The Bailiff or appropriate judicial officer on hearing evidence on oath from a police officer may, if he is satisfied that there are reasonable grounds for suspecting that evidence of or relating to the commission of an offence under this Law ("an offence") is to be found in any place, issue a warrant for the search of any premises and any persons found on those premises.

(2) A warrant issued under this section shall authorise police officers and any other persons named in the warrant to enter within one calendar month of the date of issue of the warrant, using if necessary reasonable force, the premises named in the warrant, and to search them and any persons found on them and to seize anything found in the possession of a person present at the time of the search which a police officer involved in conducting the search reasonably believes to be evidence of or relating to the commission of an offence or suspected offence.

(3) A police officer acting under the authority of a warrant under this section may -

- (a) require any person present at the place where the search is being carried out to give to the police officer his name and address, and
- (b) arrest without warrant any person who -
  - (i) obstructs or attempts to obstruct a police officer in the carrying out of his duties,
  - (ii) fails to comply with a requirement under paragraph (a), or
  - (iii) gives a name or address which the police officer has reasonable cause for believing is false or misleading.

## APPENDIX H (CONTINUED)

(4) A person who obstructs or attempts to obstruct a police officer acting under the authority of a warrant issued under this section, fails to comply with a requirement under subsection (3)(a), or gives a false or misleading name or address to a police officer so acting shall be guilty of an offence and shall be liable on summary conviction to imprisonment for a period not exceeding 6 months, to a fine not exceeding level 5 on the uniform scale, or to both.

(5) The power to issue a warrant under this section is without prejudice to any other power conferred by statute for the issue of a warrant for the search of any place or person.

(6) No application for a warrant under this section may be made without the consent of Her Majesty's Procureur.

### **Interpretation.**

8. (1) In this Law -

**"agent"** has the meaning given by section 2,

**"appropriate judicial officer"** means -

(a) in Alderney, the Chairman of the Court of Alderney or, if he is absent or unable to act, a Jurat of the Court of Alderney authorised by him to act in that behalf,

(b) in Sark, the Seneschal or, if he is absent or unable to act, his deputy,

**"Bailiwick"** means the Bailiwick of Guernsey,

**"Bailiwick person"** has the meaning given in section 4(4),

## APPENDIX H (CONTINUED)

**"Her Majesty's Procureur"** save for in section 2(1)(b) includes Her Majesty's Comptroller,

**"police officer"** means -

- (a) in relation to Guernsey, Herm and Jethou, a member of the salaried police force of the Island of Guernsey and, within the limits of his jurisdiction, a member of the special constabulary of the Island of Guernsey,
- (b) in relation to Alderney, a member of the said salaried police force, a member of any police force which may be established by the States of Alderney and, within the limits of his jurisdiction, a member of the Alderney Special Constabulary established pursuant to section 46A of the Government of Alderney Law, 1987<sup>b</sup>,
- (c) in relation to Sark, the Constable, the Vingtenier and a member of the said police force of the Island of Guernsey, and
- (d) an officer within the meaning of section 1(1) of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972<sup>c</sup>.

(2) The provisions of the Interpretation (Guernsey) Law, 1948<sup>d</sup> shall apply to the interpretation of this Law throughout the Bailiwick.

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<sup>b</sup> Ordres en Conseil Vol. XXX, p.37, Vol. XXXI, pp.83 and 306; Order in Council No. XI of 1993; No. IX of 1995; No. IV of 1996; No. IV of 1998; and No. I of 2000.

<sup>c</sup> Ordres en Conseil Vol. XXIII, p.573 and No. XIII of 1991.

<sup>d</sup> Ordres en Conseil Vol. XIII, p.355.

## **APPENDIX H (CONTINUED)**

(3) Any reference in this Law to an enactment is a reference thereto as from time to time amended, replaced or re-enacted (in either case, with or without modification), extended or applied.

### **Common law bribery.**

9. The common law offence of bribery is abolished.

### **Repeal.**

10. The Corruption (Alderney) Law, 1994<sup>e</sup> is repealed.

### **Citation.**

11. This Law may be cited as the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003.

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<sup>e</sup> Order in Council No. XXXI of 1994.



## APPENDIX I

# PROJET DE LOI

ENTITLED

## **The Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011**

### ARRANGEMENT OF SECTIONS

#### PART I DESIGNATIONS

1. Meaning of "designated person".
2. Interim designation.
3. Duration of interim designation.
4. Power to make final designation.
5. Duration and renewal of final designation.
6. Notification of designation.
7. Variation or revocation of designation.
8. Confidential information.

#### PART II PROHIBITIONS IN RELATION TO DESIGNATED PERSONS

9. Freezing of funds and economic resources.
10. Making funds or financial services available to designated persons.
11. Making funds or financial services available for benefit of designated persons.
12. Making economic resources available to designated persons.
13. Making economic resources available for benefit of designated persons.
14. Exceptions.
15. Licences.
16. Circumventing prohibitions etc.

#### PART III INFORMATION

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18. Powers to require information.
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20. Failure to comply with requirement for information.
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22. Co-operation with investigations.
23. Application of provisions.

## APPENDIX I (CONTINUED)

### PART IV SUPPLEMENTARY PROVISIONS

- 24. Appeals.
- 25. Special Court Procedures.

### PART V OFFENCES

- 26. Penalties.
- 27. Extra-territorial application of offences.
- 28. Offences by bodies corporate etc.
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### PART VI INTERPRETATION

- 30. Meaning of "funds" and "economic resources".
- 31. Meaning of "financial services".
- 32. Meaning of "relevant institution".
- 33. Interpretation: general.

### PART VII MISCELLANEOUS

- 34. Service of notices.
- 35. Delegation.
- 36. Consequential amendments.
- 37. Power to give effect by Ordinance.
- 38. General provisions as to Ordinances and orders.
- 39. Citation and commencement.

## APPENDIX I (CONTINUED)

### PROJET DE LOI

ENTITLED

### **The Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011**

**THE STATES**, in pursuance of their Resolution of the 30th March, 2011<sup>f</sup>, have approved the following provisions which, subject to the Sanction of Her Most Excellent Majesty in Council, shall have force of law in the Bailiwick of Guernsey.

#### PART I DESIGNATIONS

#### **Meaning of "designated person".**

1. In this Law, "**designated person**" means –
  - (a) a person who is the subject of a designation under this Law,
  - (b) a person who is the subject of a designation under and within the meaning of the Terrorist Asset-Freezing etc. Act 2010<sup>g</sup>, or
  - (c) a natural or legal person, group or entity included in the list provided for by Article 2(3) of Council Regulation (EC) No 2580/2001 of the 27th December 2001<sup>h</sup> on specific restrictive measures directed against certain persons and entities with a view to combating terrorism (as that Regulation is amended from time to time).

#### **Interim designation.**

2. (1) The Policy Council may make an interim designation of a person if –
  - (a) the Policy Council reasonably suspects –
    - (i) that the person is or has been involved in terrorist activity,

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<sup>f</sup> Article V of Billet d'Etat No. IV of 2011.

<sup>g</sup> An Act of Parliament (2010 c.38).

<sup>h</sup> OJ L 344, 28.12.2001, p. 70.

## APPENDIX I (CONTINUED)

- (ii) that the person is owned or controlled directly or indirectly by a person within subparagraph (i), or
    - (iii) that the person is acting on behalf of or at the direction of a person within subparagraph (i), and
  - (b) the Policy Council considers that it is necessary for purposes connected with protecting members of the public from terrorism that financial restrictions should be applied in relation to the person.
- (2) Sections 4(2) to (4) apply for the purposes of this section as they apply for the purposes of Section 4.
- (3) The Policy Council may not make more than one interim designation of the same person in relation to the same, or substantially the same, evidence.
- (4) Nothing in this section prevents the making of a final designation in accordance with section 4 of a person who has been the subject of an interim designation.

### **Duration of interim designation.**

3. (1) An interim designation of a person –
- (a) is of no effect during any period when the person is a designated person under section 1(b) or (c), and
  - (b) expires at the end of the 30 days beginning with the day on which it was made, or when a final designation of the person is made, whichever is earlier.
- (2) Where an interim designation expires the Policy Council must –
- (a) give written notice of the expiry to the designated person, and
  - (b) take reasonable steps to bring the expiry to the attention of the persons who were informed of the designation.
- (3) Where an interim designation expires on the making of a final designation in relation to the same person –
- (a) a notice under subsection (2) may be combined with written notice under section 6 of the final designation, and

## **APPENDIX I (CONTINUED)**

- (b) steps under subsection (2) may be combined with steps under section 6 to publicize the final designation.

### **Power to make final designation.**

- 4. (1) The Policy Council may make a final designation of a person if –
  - (a) the Policy Council believes –
    - (i) that the person is or has been involved in terrorist activity,
    - (ii) that the person is owned or controlled directly or indirectly by a person within subparagraph (i), or
    - (iii) that the person is acting on behalf of or at the direction of a person within subparagraph (i), and
  - (b) the Policy Council considers that it is necessary for purposes connected with protecting members of the public from terrorism that financial restrictions should be applied in relation to the person.
- (2) For the purposes of this section, involvement in terrorist activity is any one or more of the following –
  - (a) the commission, preparation or instigation of acts of terrorism,
  - (b) conduct that facilitates the commission, preparation or instigation of such acts, or that is intended to do so, and
  - (c) conduct that gives support or assistance to persons who are known or believed by the person giving the support or assistance to be involved in conduct falling within paragraph (a) or (b).
- (3) For the purposes of this section, it is immaterial whether the acts of terrorism in question are specific acts of terrorism or acts of terrorism generally.
- (4) The reference in subsection (1)(b) to financial restrictions includes a reference to restrictions relating to economic resources.

### **Duration and renewal of final designation.**

- 5. (1) A final designation of a person –
  - (a) is of no effect during any period when the person is a designated person under section 1(b) or (c), and
  - b) expires 12 months after it was made, unless it is renewed.

## APPENDIX I (CONTINUED)

- (2) The Policy Council may renew a final designation of a person at any time before it expires, if the requirements for final designation under section 4 are met in respect of the person at the time of the renewal.
- (3) A final designation so renewed expires 12 months after it was renewed (or last renewed), unless it is renewed again.
- (4) Section 6 applies to the renewal under this section of a final designation in the same way as it applies to a final designation under section 4.
- (5) Where a final designation expires the Policy Council must –
  - (a) give written notice of the expiry to the designated person, and
  - (b) take reasonable steps to bring the expiry to the attention of the persons who were informed of the designation.
- (6) Nothing in this section prevents the Policy Council from designating a person more than once under section 4.

### **Notification of designation.**

- 6. (1) Where the Policy Council makes a designation of a person, the Policy Council must –
  - (a) give written notice of the designation to the person, and
  - (b) take steps to publicize the designation.
- (2) Unless one or more of the following conditions is satisfied, the Policy Council must take steps to publicize the designation generally –
  - (a) the Policy Council believes that the designated person is an individual under the age of 18,
  - (b) the Policy Council considers that disclosure of the designation should be restricted –
    - (i) in the interests of the security of the Bailiwick or of any other country or territory,
    - (ii) for reasons connected with the prevention or detection of serious crime, or
    - (iii) in the interests of justice.

## **APPENDIX I (CONTINUED)**

- (3) If one or more of those conditions is satisfied, the Policy Council must inform only such persons of the designation as the Policy Council considers appropriate.
- (4) If one or more of the conditions referred to in subsection (2) is satisfied in respect of a designation, but later none of the conditions referred to in subsection (2) is satisfied in respect of the designation, and the designation is still in effect, the Policy Council must –
  - (a) give written notice of that fact to the designated person, and
  - (b) take steps to publicize the designation generally.

### **Variation or revocation of designation.**

- 7. (1) The Policy Council may at any time vary or revoke a designation.
- (2) Where the Policy Council varies or revokes a designation of a person, the Policy Council must –
  - (a) give written notice of the variation or revocation to the person, and
  - (b) take reasonable steps to bring the variation or revocation to the attention of the persons who were informed of the designation under section 6.
- (3) If the Policy Council refuses an application by a person for the variation or revocation of the person's designation by the Policy Council, the Policy Council must give written notice of the refusal to the person.

### **Confidential information.**

- 8. (1) Where the Policy Council in accordance with section 6(3) informs only certain persons of the designation of a person, the Policy Council may specify that the information conveyed in so informing those people is to be treated as confidential.
- (2) A person who –
  - (a) is provided with information that is so specified as to be treated as confidential, or
  - (b) obtains such information, must not disclose it if the person knows, or has reasonable cause to suspect, that the information has been specified under subsection (1) as information to be treated as confidential.
- (3) Subsection (2) does not apply to any disclosure made by the person if that disclosure is made with lawful authority.

## APPENDIX I (CONTINUED)

- (4) For the purposes of subsection (3), information is disclosed with lawful authority only if and to the extent that –
  - (a) the disclosure is made by the Policy Council or authorized by the Policy Council,
  - (b) the disclosure is made by the designated person or made with the consent of the designated person,
  - (c) the disclosure is necessary to give effect to a requirement imposed under or by virtue of this Law or any other enactment, or
  - (d) the disclosure is required by any direction or order of the Royal Court.
- (5) This section does not prevent the disclosure of information that is already, or has previously been, available to the public from other sources.
- (6) A person who contravenes subsection (2) commits an offence.
- (7) The Royal Court may –
  - (a) on the application of the designated person who is the subject of the information, or
  - (b) on the application of Her Majesty's Procureur, grant an injunction to prevent a breach of subsection (2).

## PART II PROHIBITIONS IN RELATION TO DESIGNATED PERSONS

### Freezing of funds and economic resources.

- 9. (1) A person ("P") must not deal with funds or economic resources owned, held or controlled by a designated person if P knows, or has reasonable cause to suspect, that P is dealing with such funds or economic resources.
- (2) In subsection (1) "**deal with**" means –
  - (a) in relation to funds –
    - (i) use, alter, move, allow access to, or transfer, the funds,
    - (ii) deal with the funds in any other way that would result in any change in their volume, amount, location, ownership, possession, character or destination, or



## APPENDIX I (CONTINUED)

- (iii) make any other change that would enable use of the funds, including by way of, or in the course of, portfolio management, or
  - (b) in relation to economic resources, exchange, or use in exchange, for funds, goods or services.
- (3) A person who contravenes subsection (1) commits an offence.

### **Making funds or financial services available to designated person.**

- 10.** (1) A person ("P") must not make funds or financial services available (directly or indirectly) to a designated person if P knows, or has reasonable cause to suspect, that P is making the funds or financial services so available.
- (2) A person who contravenes subsection (1) commits an offence.

### **Making funds or financial services available for benefit of designated person.**

- 11.** (1) A person ("P") must not make funds or financial services available to any person for the benefit of a designated person if P knows, or has reasonable cause to suspect, that P is making the funds or financial services so available.
- (2) For the purposes of subsection (1) –
- (a) funds are made available for the benefit of a designated person only if that person thereby obtains, or is able to obtain, a significant financial benefit, and
  - (b) "**financial benefit**" includes the discharge of a financial obligation for which the designated person is wholly or partly responsible.

- (3) A person who contravenes subsection (1) commits an offence.

### **Making economic resources available to designated person.**

- 12.** (1) A person ("P") must not make economic resources available (directly or indirectly) to a designated person if P knows, or has reasonable cause to suspect –
- (a) that P is making the economic resources so available, and
  - (b) that the designated person would be likely to exchange the economic resources, or use them in exchange, for funds, goods or services.
- (2) A person who contravenes subsection (1) commits an offence.

## APPENDIX I (CONTINUED)

### **Making economic resources available for benefit of designated person.**

- 13.** (1) A person ("P") must not make economic resources available to any person for the benefit of a designated person if P knows, or has reasonable cause to suspect, that P is making the economic resources so available.
- (2) For the purposes of subsection (1) –
- (a) economic resources are made available for the benefit of a designated person only if that person thereby obtains, or is able to obtain, a significant financial benefit, and
  - (b) "**financial benefit**" includes the discharge of a financial obligation for which the designated person is wholly or partly responsible.
- (3) A person who contravenes subsection (1) commits an offence.

### **Exceptions.**

- 14.** (1) The prohibitions in sections 9 to 11 are not contravened by a relevant institution crediting a frozen account with –
- (a) interest or other earnings due on the account, or
  - (b) payments due under contracts, agreements or obligations that were concluded or arose before the account became a frozen account.
- (2) The prohibitions in sections 10 and 11 do not prevent a relevant institution from crediting a frozen account where it receives funds transferred to the account.
- (3) The prohibition in section 11 is not contravened by the making of a payment that –
- (a) is a benefit under or by virtue of a relevant enactment (irrespective of the name or nature of the benefit), and
  - (b) is made to a person who is not a designated person, whether or not the payment is made in respect of a designated person.
- (4) A relevant institution must without delay inform the Policy Council if it credits a frozen account with a payment referred to in subsection (1)(b) or in the circumstances referred to in subsection (2).
- (5) In this section –

## APPENDIX I (CONTINUED)

**"frozen account"** means an account with a relevant institution which is held or controlled (directly or indirectly) by a designated person, and

**"relevant enactment"** includes the Social Insurance (Guernsey) Law, 1978<sup>i</sup>, the Health Service (Benefit) (Guernsey) Law, 1990<sup>j</sup>, the Long-term Care Insurance (Guernsey) Law, 2002<sup>k</sup> and such other enactment as the States may by Ordinance prescribe.

### Licences.

15. (1) The prohibitions in sections 9 to 13 do not apply to anything done under the authority of a licence granted by the Policy Council under this section.
- (2) The Policy Council may grant a licence in respect of a designated person.
- (3) A licence granted under this section –
- (a) must specify the acts authorized by it,
  - (b) may be general or granted to a category of persons or to a particular person,
  - (c) may be unconditional or subject to conditions, and
  - (d) may be unlimited or limited in duration.
- (4) The Policy Council may at any time vary or revoke a licence granted under this section.
- (5) On the grant, variation or revocation of a licence under this section, the Policy Council must –
- (a) in the case of a licence granted to a particular person, give written notice of the grant, variation or revocation to that person, or
  - (b) in the case of a general licence or a licence granted to a category of persons, take such steps as the Policy Council considers appropriate to publicize the grant, variation or revocation of the licence.

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<sup>i</sup> Ordres en Conseil Vol. XXVI, p. 292; Vol. XXVII, pp. 238, 307 and 392; Vol. XXIX, pp. 24, 148 and 422; Vol. XXXII, p. 59; Vol. XXIV, p. 510; Vol. XXXV(1), p. 164; Vol. XXXVI, pp. 123 and 343; Vol. XXXIX, p. 107; Vol. XL, p. 351; Order in Council No. IX of 2001; No. XXIII of 2002; No. XXIV of 2003; No. XI of 2004 and No. XVIII of 2007; Recueil d'Ordonnances Tome XXVI, p. 177 and Ordinance No. XLII of 2009.

<sup>j</sup> Ordres en Conseil Vol. XXXII, p. 192; Recueil d'Ordonnances Tome XXVI, pp. 177, 483, and 495; Tome XXIX, pp. 182 and 305 and modified by Tome XXVI, pp. 484 and 491; Tome XXVII, p. 200; Tome XXVIII, p. 1; Tome XXIX, pp. 182, 196, 200, 210, 373 and 580; Tome XXXI, p. 628; Tome XXXII, p. 628.

<sup>k</sup> Order in Council No. XXIII of 2002.

## **APPENDIX I (CONTINUED)**

- (6) A person who, for the purpose of obtaining a licence under this section, knowingly or recklessly –
  - (a) provides information that is false in a material respect, or
  - (b) provides or produces a document that is not what it purports to be, commits an offence.
- (7) A person who purports to act under the authority of a licence granted under this section but fails to comply with any condition to which the licence is subject commits an offence.

### **Circumventing prohibitions etc.**

- 16.** (1) A person must not intentionally participate in activities knowing that the object or effect of them is (whether directly or indirectly) –
  - (a) to circumvent section 9(1), 10(1), 11(1), 12(1) or 13(1), or
  - (b) to enable or facilitate the contravention of any of those provisions.
- (2) A person who contravenes subsection (1) commits an offence.

## **PART III INFORMATION**

### **Reporting obligations of relevant institutions.**

- 17.** (1) A relevant institution must inform the Policy Council as soon as practicable if –
  - (a) it knows, or has reasonable cause to suspect, that a person –
    - (i) is a designated person, or
    - (ii) has committed an offence under any provision of Part II, and
  - (b) the information or other matter on which the knowledge or reasonable cause for suspicion is based came to it in the course of carrying on its business.
- (2) Where a relevant institution informs the Policy Council under subsection (1) it must state –

## APPENDIX I (CONTINUED)

- (a) the information or other matter on which the institution's knowledge or reasonable cause for suspicion is based, and
  - (b) any information that the institution holds about the person by which the person can be identified.
- (3) Subsection (4) applies if –
  - (a) a relevant institution informs the Policy Council under subsection (1) that it knows, or has reasonable cause to suspect, that a person is a designated person, and
  - (b) that person is a customer of the institution.
- (4) The relevant institution must also state the nature and amount or quantity of any funds or economic resources held by it for the customer at the time when it first had the knowledge or suspicion.
- (5) A relevant institution that fails to comply with subsection (1) commits an offence.

### **Powers to require information.**

- 18.** (1) The Policy Council may require a designated person to provide information concerning –
- (a) funds or economic resources owned, held or controlled by, or on behalf of, the designated person, or
  - (b) any disposal of such funds or economic resources.
- (2) The Policy Council may require a designated person to provide such information as the Policy Council may reasonably require about expenditure –
- (a) by or on behalf of the designated person, or
  - (b) for the benefit of the designated person.
- (3) The power in subsection (1) or (2) is exercisable only where the Policy Council believes that it is necessary for the purpose of monitoring compliance with or detecting evasion of this Law.
- (4) The Policy Council may require a person acting under a licence granted under section 15 to provide information concerning –
- (a) funds or economic resources dealt with under the licence, or

## APPENDIX I (CONTINUED)

- (b) funds, economic resources or financial services made available under the licence.
- (5) The Policy Council may require any person in or resident in the Bailiwick to provide such information as the Policy Council may reasonably require for the purpose of –
  - (a) establishing for the purposes of this Law –
    - (i) the nature and amount or quantity of any funds or economic resources owned, held or controlled by or on behalf of a designated person,
    - (ii) the nature and amount or quantity of any funds, economic resources or financial services made available directly or indirectly to, or for the benefit of, a designated person, or
    - (iii) the nature of any financial transactions entered into by a designated person,
  - (b) monitoring compliance with or detecting evasion of this Law, or
  - (c) obtaining evidence of the commission of an offence under this Law.
- (6) The Policy Council may specify the manner in which, and the period within which, information is to be provided, being information that the Policy Council requires to be provided under this section.
- (7) If no such period is specified, the information so required to be provided must be provided within a reasonable time.
- (8) A requirement under this section may impose a continuing obligation to keep the Policy Council informed –
  - (a) as circumstances change, or
  - (b) on such regular basis as the Policy Council may specify.
- (9) Information required to be provided under this section may relate to any period during which a person is, or was, a designated person.
- (10) Information referred to in subsection (1)(b), (2) or (5)(a)(iii) may relate to any period before the person became a designated person (as well as, or instead of, any period of time).

### **Production of documents.**

- 19.** (1) A requirement under section 18 may include a requirement to produce specified documents or documents of a specified description.

## APPENDIX I (CONTINUED)

- (2) Where the Policy Council requires under section 18 that one or more documents be produced, the Policy Council may –
  - (a) take copies of or extracts from any document so produced,
  - (b) require any person so producing a document to give an explanation of the document, and
  - (c) where a person so producing a document is a partnership, association or body corporate, require a person who is –
    - (i) in the case of a partnership, a present or past partner or employee of the partnership,
    - (ii) in any other case, a present or past officer or employee of the association or body corporate, to give an explanation of the document.
- (3) Where the Policy Council requires under section 18 a designated person, or a person acting under a licence granted under section 15, to produce one or more documents, the person must –
  - (a) take reasonable steps to obtain the documents (if not already in the person's possession or control), and
  - (b) keep the documents under the person's possession or control (except for the purpose of providing them to the Policy Council or as the Policy Council may otherwise permit).

### **Failure to comply with requirement for information.**

- 20.** (1) A person commits an offence who –
- (a) without reasonable excuse refuses or fails within the time and in the manner specified (or, if no time has been specified, within a reasonable time) to comply with a requirement made under this Part,
  - (b) knowingly or recklessly gives any information, or produces any document, that is false in a material particular in response to such a requirement,
  - (c) with intent to evade the provisions of this Part, destroys, mutilates, defaces, conceals or removes a document, or
  - (d) otherwise intentionally obstructs the Policy Council in the exercise of the Policy Council's powers under this Part.

## APPENDIX I (CONTINUED)

- (2) Where a person is convicted of an offence under this section, the court may make an order requiring the person, within such period as may be specified in the order, to comply with the relevant requirement in accordance with the order, or to do such other thing relating to the requirement as the court orders.

### General power to disclose information

21. (1) The Policy Council may disclose any information obtained by it in exercise of its powers under this Part (including any document so obtained and any copy or extract made of any document so obtained) –

- (a) to Her Majesty's Procureur,
- (b) to a police officer,
- (c) to a person holding or acting in any office under or in the service of –
  - (i) the Crown in right of Her Majesty's Government of the United Kingdom,
  - (ii) the Crown in right of the Scottish Administration, the Northern Ireland Administration or the Welsh Assembly Government,
  - (iii) the States, the States of Alderney or the Chief Pleas of Sark,
  - (iv) the States of Jersey
  - (v) the Government of the Isle of Man, or
  - (vi) the Government of any British overseas territory,
- (d) to any law officer of the Crown for Jersey or the Isle of Man,
- (e) to the Office of the Legal Aid Administrator, the Legal Services Commission of the United Kingdom, the Scottish Legal Aid Board and the Northern Ireland Legal Services Commission,
- (f) to the Guernsey Financial Services Commission established by the Financial Services Commission (Bailiwick of Guernsey) Law, 1987<sup>1</sup>, the Financial Services Authority of the United Kingdom, the Jersey Financial Services Commission, the Isle of Man Insurance and Pensions Authority and the Isle of Man Financial Supervision Commission,
- (g) for the purpose of giving assistance or co-operation, pursuant to the relevant Security Council resolutions, to –

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<sup>1</sup> Ordres en Conseil Vol. XXX, p. 243.



## APPENDIX I (CONTINUED)

- (i) any organ of the United Nations, or
    - (ii) any person in the service of the United Nations, the Council of the European Union, the European Commission or the Government of any country or territory,
  - (h) with a view to instituting, or otherwise for the purposes of, any proceedings –
    - (i) in the Bailiwick, for an offence under this Law,
    - (ii) in the United Kingdom, for an offence under the Terrorist Asset-Freezing etc. Act 2010, or
    - (iii) in Jersey, in the Isle of Man or in any British overseas territory, for an offence under a similar provision in any such jurisdiction, or
  - (j) with the consent of a person who, in his or her own right, is entitled to the information or to possession of the document, copy or extract, to a third party.
- (2) In subsection (1)(j) "**in his or her own right**" means not merely in the capacity as a servant or agent of another person.

### **Co-operation with investigations.**

- 22.** (1) Her Majesty's Procureur must take such steps as he considers appropriate to co-operate with an investigation relating to the funds, economic resources or financial transactions of a designated person.
- (2) The Policy Council must take such steps as it considers appropriate to co-operate with an investigation relating to the funds, economic resources or financial transactions of a designated person.
- (3) Subsections (1) and (2) apply whether the investigation takes place in the Bailiwick or elsewhere.

### **Application of provisions.**

- 23.** (1) Nothing done in accordance with this Part is to be treated as a breach of any restriction imposed by contract, enactment or otherwise.
- (2) However, nothing in this Part authorizes a disclosure that –

## APPENDIX I (CONTINUED)

- (a) contravenes the Data Protection (Bailiwick of Guernsey) Law, 2001<sup>m</sup>, or
  - (b) is prohibited by Part I of the Regulation of Investigatory Powers (Bailiwick of Guernsey) Law, 2003<sup>n</sup>.
- (3) Nothing in this Part is to be read as requiring a person ("P") who has acted for another person in the capacity of advocate, counsel or solicitor, or otherwise in the capacity of lawyer, to disclose any privileged information that is in P's possession in that capacity.
- (4) This Part does not limit the circumstances in which information may be disclosed otherwise than by virtue of this Part.
- (5) This Part does not limit the powers of the Policy Council to impose conditions in connection with the performance of the Policy Council's functions under section 15.
- (6) In this section –

**"information"** includes documents, and

**"privileged information"** means information with respect to which a claim to legal professional privilege could be maintained in legal proceedings.

## PART IV SUPPLEMENTARY PROVISIONS

### Appeals.

- 24.** (1) This section applies to any decision of the Policy Council taken in the performance of, or in connection with, its functions under this Law including, for the avoidance of doubt, any decision –
- (a) to make or vary an interim or final designation of a person,
  - (b) to renew a final designation of a person, or
  - (c) not to vary or revoke an interim or final designation of a person.

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<sup>m</sup> Order in Council No. V of 2002 as modified by Ordinance No. XXIV of 2004 and No. 2 of 2010; the European Communities (Implementation of Council Directive on Privacy and Electronic Communications) (Sark) Ordinance, 2004 and G.S.I. Nos. 14, 15, 16 and 24 of 2002.

<sup>n</sup> Order in Council No. XXX of 2003; as amended by the Machinery of Government (Transfer of Functions) (Guernsey) Ordinance, 2003 (No. XXXIII of 2003); the Regulation of Investigatory Powers (Applicable

## APPENDIX I (CONTINUED)

- (2) A person aggrieved by a decision to which this section applies may appeal to the Royal Court against that decision on the grounds that –
  - (a) the decision was ultra vires or there was some other error of law,
  - (b) the decision was unreasonable,
  - (c) the decision was made in bad faith,
  - (d) there was a lack of proportionality, or
  - (e) there was a material error as to the facts or as to the procedure.
- (3) An appeal under this section shall be instituted –
  - (a) within 28 days of the date on which notice in writing of the decision was served by the Policy Council on the person to whom the decision relates, or such later date as the Royal Court may for good cause allow, and
  - (b) by a summons served on the Policy Council stating the grounds, and setting out the material facts, on which the appellant relies.
- (4) If an appeal under this section has not been determined by the Royal Court within three months of the date of the summons by which it was instituted, the Policy Council may apply to the Royal Court, by a summons served on the appellant, to show cause why the appeal should not be dismissed for want of prosecution; and upon the making of such an application the Royal Court may dismiss the appeal or make such other order as it considers just.
- (5) On an appeal under this section the Court may –
  - (a) set the decision of the Policy Council aside and, if the Court considers it appropriate to do so, remit the matter to the Policy Council with such directions as the Court thinks fit, or
  - (b) confirm the decision, in whole or in part.
- (6) A decision of the Royal Court under this section shall be final as to any question of fact, but an appeal from such a decision shall lie to the Court of Appeal on any question of law within such period and in such manner as may be prescribed by Order of the Royal Court.
- (7) The making of an appeal under this section does not suspend the effect of the decision to which the appeal relates.

## APPENDIX I (CONTINUED)

### Special Court Procedures.

25. (1) The States may by Ordinance provide for special court procedures to be followed in any proceedings –
- (a) under this Law,
  - (b) under any other enactment concerning the freezing of assets, or
  - (c) under other measures giving effect to international sanctions.
- (2) An Ordinance under subsection (1) may, without limitation, make provision in relation to the following matters –
- (a) the mode of proof and evidence in the proceedings,
  - (b) the disclosure of evidence and any other matter relating to the proceedings,
  - (c) the determination of the proceedings, or any issue in the proceedings, including determination –
    - (i) without a hearing,
    - (ii) without the provision to any party to the proceedings (or to the legal representative of any such party) of full particulars of the reasons for any decision relating to the proceedings or issue, and
    - (iii) in the absence of any person, including any party to the proceedings (or the legal representative of any such party),
  - (d) legal representation in the proceedings,
  - (e) rights of audience in the proceedings,
  - (f) the establishment of a tribunal or other body with powers to determine the proceedings, and
  - (g) the authorisation of, and conferring of functions on, any court, tribunal or other body in order to enable any such court, tribunal or body to determine the proceedings or any issue in the proceedings.
- (3) The Royal Court must be consulted in connection with any Ordinance made under this section.

## APPENDIX I (CONTINUED)

### PART V OFFENCES

#### Penalties.

26. (1) A person guilty of an offence under section 9(3), 10(2), 11(3), 12(2), 13(3), or 16(2) is liable –
- (a) an conviction on indictment, to imprisonment for a term not exceeding seven years or to a fine or to both, or
  - (b) on summary conviction, to imprisonment for a term not exceeding 12 months or to a fine not exceeding level 4 on the uniform scale or to both.
- (2) A person guilty of an offence under section 8(6) or 15(6) or (7) is liable –
- (a) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine or to both, or
  - (b) on summary conviction, to imprisonment for a term not exceeding 12 months or to a fine not exceeding level 4 on the uniform scale or to both.
- (3) A person guilty of an offence under section 17(5) or 20(1) is liable on summary conviction to imprisonment for a term not exceeding 12 months or to a fine not exceeding level 4 on the uniform scale or to both.

#### Extra-territorial application of offences.

27. (1) An offence under this Law may be committed by conduct wholly or partly outside the Bailiwick by –
- (a) a UK national who is ordinarily resident in the Bailiwick, or
  - (b) a body incorporated or constituted under the law of the Bailiwick or any part thereof.
- (2) In subsection (1) "**UK national**" means –
- (a) a British citizen, a British overseas territories citizen, a British National (Overseas) or a British Overseas citizen all within the meaning of the British Nationality Act 1981<sup>o</sup>,
  - (b) a person who under that Act is a British subject, or

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<sup>o</sup> An Act of Parliament (1981 c.61).

## APPENDIX I (CONTINUED)

- (c) a British protected person within the meaning of that Act.
- (3) In this section "**conduct**" includes acts and omissions.
- (4) Nothing in this section affects any criminal liability arising otherwise than under this section.

### Offences by bodies corporate, etc.

28. (1) Where an offence under this Law is committed by a body corporate or by an unincorporated body and is proved to have been committed with the consent or connivance of, or to be attributable to or to have been facilitated by any neglect on the part of, any director, manager, member of any committee of management or other controlling authority, secretary or other similar officer or partner of the body, or any person purporting to act in any such capacity, he as well as the body is guilty of the offence and may be proceeded against and punished accordingly.
- (2) Where the affairs of a body corporate are managed by its members, subsection (1) applies to a member in connection with his functions of management as if he were a director.
- (3) Proceedings for an offence alleged to have been committed under this Law by an unincorporated body shall be brought in the name of that body and not in the name of any of its members, and a fine imposed on the body on its conviction of such an offence shall be paid out of its funds.
- (4) For the purposes of this section a person shall be deemed to be a director of a body corporate if he is a person in accordance with whose directions or instructions the directors of the body corporate or any of them act.

### Jurisdiction to try offences.

29. Where an offence under this Part is committed outside the Bailiwick-
- (a) proceedings for the offence may be taken in Guernsey, and
  - (b) the offence may for all incidental purposes be treated as having been committed in Guernsey.

## PART VI INTERPRETATION

### Meaning of "funds" and "economic resources".

30. (1) In this Law, "**funds**" means financial assets and benefits of every kind, including, without limitation –

## APPENDIX I (CONTINUED)

- (a) cash, cheques, claims on money, drafts, money orders and other payment instruments,
  - (b) deposits with relevant institutions or other persons, balances on accounts, debts and debt obligations,
  - (c) publicly and privately traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivative products,
  - (d) interest, dividends and other income on or value accruing from or generated by assets,
  - (e) credit, rights of set-off, guarantees, performance bonds and other financial commitments,
  - (f) letters of credit, bills of lading and bills of sale,
  - (g) documents providing evidence of an interest in funds or financial resources,
  - (h) any other instrument of export financing.
- (2) In this Law, "**economic resources**" means assets of every kind, whether tangible or intangible, movable or immovable, which are not funds but can be used to obtain funds, goods or services.

### Meaning of "**financial services**".

- 31.** (1) In this Law, "**financial services**" means any service of a financial nature, including (but not limited to) –
- (a) insurance-related services consisting of –
    - (i) direct life assurance,
    - (ii) direct insurance other than life assurance,
    - (iii) reinsurance and retrocession,
    - (iv) insurance intermediation, such as brokerage and agency,
    - (v) services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services,
  - (b) banking and other financial services consisting of –
    - (i) accepting deposits and other repayable funds,

## APPENDIX I (CONTINUED)

- (ii) lending (including consumer credit, mortgage credit, factoring and financing of commercial transactions),
  - (iii) financial leasing,
  - (iv) payment and money transmission services (including credit, charge and debit cards, travellers' cheques and bankers' drafts),
  - (v) providing guarantees or commitments,
  - (vi) financial trading (as defined in subsection (2)),
  - (vii) participating in issues of any kind of securities (including underwriting and placement as an agent, whether publicly or privately) and providing services related to such issues,
  - (viii) money brokering,
  - (ix) asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial, depository and trust services,
  - (x) settlement and clearing services for financial assets (including securities, derivative products and other negotiable instruments),
  - (xi) providing or transferring financial information, and financial data processing or related software (but only by suppliers of other financial services),
  - (xii) providing advisory and other auxiliary financial services in respect of any activity listed in sub-paragraphs (i) to (xi) (including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy),
- (c) any finance business within the meaning of section 24 of the Financial Services Commission (Bailiwick of Guernsey) Law 1987 and not included in subsection (1)(a) and (b).
- (2) In subsection (1)(b)(vi), "**financial trading**" means trading for own account or for account of customers, whether on an investment exchange, in an over-the-counter market or otherwise, in –
- (a) money market instruments (including cheques, bills and certificates of deposit),
  - (b) foreign exchange,



## APPENDIX I (CONTINUED)

- (c) derivative products (including futures and options),
- (d) exchange rate and interest rate instruments (including products such as swaps and forward rate agreements),
- (e) transferable securities, or
- (f) other negotiable instruments and financial assets (including bullion).

### Meaning of "relevant institution".

32. (1) In this Law, "**relevant institution**" means –

- (a) a person (whether or not an individual) that carries on financial services business in or from the Bailiwick, or
  - (b) a person (not being an individual) who is incorporated or constituted under the law of the Bailiwick or any part thereof and carries on financial services business in any part of the world.
- (2) For the purposes of subsection (1), "**financial services business**" has the same meaning as in the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999<sup>p</sup>.

### Interpretation: general.

33. (1) In this Law, unless the context otherwise requires –

"**advocate**" means an Advocate of the Royal Court of Guernsey,

"**Bailiff**" includes the Deputy Bailiff, a Lieutenant Bailiff and any Judge of the Royal Court,

"**Bailiwick**" means the Bailiwick of Guernsey,

"**British overseas territory**" has the same meaning as in the British Nationality Act 1981,

"**community provision**" has the meaning given by section 3(1) of the the European Communities (Implementation) (Bailiwick of Guernsey) Law, 1994<sup>q</sup>,

"**Court of Appeal**" means the court established by the Court of Appeal (Guernsey) Law, 1961<sup>r</sup>,

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<sup>p</sup> Ordres en Conseil Vol. XXXIX, p. 137; amended by Order in Council No. II of 2005; No. XV of 2007 and No. XIII of 2010; Recueil d'Ordonnances Tome XXVIII, pp. 266 and 274; Tome XXIX, pp. 112 and 406 and Tome XXXII, p. 666; Ordinance No. XXXVII of 2008 and Nos. XVI and XXXIV of 2010; G.S.I. No. 27 of 2002; No. 43 of 2006; No. 33 of 2007; Nos. 48 and 73 of 2008 and No. 12 of 2010.

<sup>q</sup> Ordres en Conseil Vol. XXXV(1), p. 65.

## APPENDIX I (CONTINUED)

**"customs officer"** means an officer within the meaning of section 1(1) of the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972<sup>s</sup>,

**"designated person"** has the meaning given by section 1,

**"document"** includes information recorded in any form and, in relation to information recorded otherwise than in legible form, references to its production include producing a copy of the information in legible form,

**"enactment"** means any Law, Ordinance or subordinate legislation,

**"economic resources"** has the meaning given by section 30(2),

**"final designation"** means a designation under section 4 (including any renewed such designation),

**"financial services"** has the meaning given by section 31,

**"funds"** has the meaning given by section 30(1),

**"Her Majesty's Procureur"** includes Her Majesty's Comptroller,

**"interim designation"** means a designation under section 2,

**"international sanctions"** include sanctions adopted by the Security Council of the United Nations and sanctions under any community provision,

**"Jersey"** means the Bailiwick of Jersey,

**"the Office of the Legal Aid Administrator"** means the office established under section 2(1) of the Legal Aid (Bailiwick of Guernsey) Law, 2003<sup>t</sup>,

**"police officer"** means –

- (a) a member of the salaried police force of the Island of Guernsey, and
- (b) within the limits of his jurisdiction, a member of the special constabulary of the Island of Guernsey, and includes a customs officer,

**"relevant institution"** has the meaning given by section 32,

**"relevant Security Council resolutions"** means –

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<sup>r</sup> Ordres en Conseil Vol. XVIII, p.315.

<sup>s</sup> Ordres en Conseil Vol. XXIII, p. 573; Vol. XXIV, p. 87; Vol. XXXI, p. 278 and Vol. XXXIII, p. 217; Order in Council No. X of 2004.

<sup>t</sup> Order in Council No. VI of 2004 and see Recueil d'Ordonnances Tome XXIX, p. 406.

## APPENDIX I (CONTINUED)

- (a) resolution 1373 (2001) adopted by the Security Council of the United Nations on 28th September 2001,
- (b) resolution 1452 (2002) adopted by the Security Council of the United Nations on 20th December 2002, and
- (c) such other resolution as the Policy Council may by order prescribe,

"**renew**" means, in respect of a final designation, renew under section 5,

"**the Royal Court**" means the Royal Court of Guernsey sitting as an Ordinary Court and for the purposes of this Law the Royal Court is constituted by the Bailiff sitting unaccompanied by the Jurats,

"**the States**" means the States of Guernsey,

"**subordinate legislation**" means any regulation, rule, order, notice, rule of court, resolution, scheme, warrant, byelaw or other instrument made under any enactment and having legislative effect,

"**terrorism**" has the same meaning as in the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002<sup>u</sup>, and

"**uniform scale**" means the uniform scale of fines for the time being in force under the Uniform Scale of Fines (Bailiwick of Guernsey) Law, 1989<sup>v</sup>.

- (2) The provisions of the Interpretation (Guernsey) Law, 1948<sup>w</sup> shall apply to the interpretation of this Law throughout the Bailiwick.
- (3) A reference in this Law to any enactment, to the relevant Security Council resolutions and any Act of Parliament is a reference to that enactment, those resolutions and that Act as amended from time to time.

## PART VII MISCELLANEOUS

### Service of notices.

- 34. (1) This section applies in relation to any notice to be given to a person by the Policy Council under this Law.
- (2) Any such notice may be given –

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<sup>u</sup> Order in Council No. XVI of 2002.

<sup>v</sup> Ordres en Conseil Vol. XXXI, p. 278; Recueil d'Ordonnances Tome XXV, p. 344; Tome XXVIII, p. 89 and Tome XXXI, p. 542.

<sup>w</sup> Ordres en Conseil Vol. XIII, p. 355.

## APPENDIX I (CONTINUED)

- (a) by posting it to the person's last known address, or
  - (b) where the person is a body corporate, partnership or unincorporated body other than a partnership, by posting it to the registered or principal office of the body or partnership concerned.
- (3) Where the Policy Council does not have an address for the person, it must make arrangements for the notice to be given to the person at the first available opportunity.

### **Delegation.**

35. (1) The Policy Council may, by instrument in writing, delegate wholly or partly any of its functions under this Law to any other person or to any body.
- (2) The delegation may be unconditional or subject to any condition specified in the instrument of delegation.
- (3) The delegation of functions by the Policy Council under this section shall not prevent the Policy Council from itself performing those functions.
- (4) Where any licence, permit or authorization is granted in purported performance of a function delegated under subsection (1), no criminal proceedings shall lie against any person for any act done, or omitted to be done, in good faith and in accordance with the terms of the licence, permit or authorization, by reason that the function had not been delegated, or that any requirement attached to the delegation of the function had not been complied with.
- (5) Nothing in this section affects the operation of section 4 of the Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law 1991<sup>x</sup>.

### **Consequential amendments.**

36. The Schedule (amendments consequential on this Law) shall have effect.

### **Power to give effect by Ordinance.**

37. (1) The States may by Ordinance make such additional or alternative provision as they think fit for the purposes of giving effect to the relevant Security Council resolutions throughout the Bailiwick including, without limitation, provision amending this Law.
- (2) The provisions of subsection (1) are without prejudice to any other provision of this Law conferring power to enact Ordinances (and vice versa).

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<sup>x</sup> Ordres en Conseil Vol. XXXIII, p. 478.

## **APPENDIX I (CONTINUED)**

### **General provisions as to Ordinances and orders.**

- 38.** (1) An Ordinance or order under this Law –
- (a) may be amended or repealed by a subsequent Ordinance or order hereunder, and
  - (b) in the case of an Ordinance, may contain such consequential, incidental, supplementary, transitional and savings provisions as may appear to be necessary or expedient (including, without limitation, provision making consequential amendments to this Law and any other enactment).
- (2) Any power to make an Ordinance or order may be exercised –
- (a) in relation to all cases to which the power extends, or in relation to all those cases subject to specified exceptions, or in relation to any specified cases or classes of cases,
  - (b) so as to make, as respects the cases in relation to which it is exercised –
    - (i) the full provision to which the power extends, or any lesser provision (whether by way of exception or otherwise),
    - (ii) the same provision for all cases, or different provision for different cases or classes of cases, or different provision for the same case or class of case for different purposes, or
    - (iii) any such provision either unconditionally or subject to any prescribed conditions.
- (3) An order (other than rules or an order of a court or tribunal) under this Law shall be laid before a meeting of the States as soon as possible after being made; and, if at that or the next meeting the States resolve that the order be annulled, then the order shall cease to have effect, but without prejudice to anything done under the order or to the making of a new order.

### **Citation and commencement.**

- 39.** (1) This Law may be cited as the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011.
- (2) This Law shall come into operation on the day appointed by Ordinance of the States, and such an Ordinance may appoint different days for different provisions and different purposes.

**SCHEDULE**  
**AMENDMENTS CONSEQUENTIAL ON THIS LAW**

**Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999.**

1. In the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999
  - (a) in section 49(6), in the definition of money laundering, immediately after "section 8, 9, 10 or 11 of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002", insert ", or section 9, 10, 11, 12 or 13 of the Terrorist Asset Freezing (Bailiwick of Guernsey) Law 2011",
  - (b) in section 49A(6), in the definition of money laundering, immediately after "section 8, 9, 10 or 11 of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002" insert ", or section 9, 10, 11, 12 or 13 of the Terrorist Asset Freezing (Bailiwick of Guernsey) Law 2011".

**Terrorism and Crime (Bailiwick of Guernsey) Law, 2002.**

2. In section 79(1) of the Terrorism and Crime (Bailiwick of Guernsey) Law 2002, in the definition of terrorist financing, immediately after "section 8, 9, 10 or 11", insert ", or section 9, 10, 11, 12 or 13 of the Terrorist Asset Freezing (Bailiwick of Guernsey) Law 2011".

**Transfer of Funds (Guernsey) Ordinance, 2007.**

3. In section 10(1) of the Transfer of Funds (Guernsey) Ordinance, 2007<sup>y</sup> -
  - (a) in subparagraph (vi), omit "or", and
  - (b) immediately after subparagraph (vii), insert –  
"or
    - (viii) the Al-Qaida and Taliban (Freezing of Funds) (Guernsey) Ordinance, 2011, or
    - (ix) the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011,".

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<sup>y</sup> Recueil d'Ordonnances Tome XXXII, p. 194.

## APPENDIX I (CONTINUED)

### Transfer of Funds (Alderney) Ordinance, 2007.

4. In section 10(1) of the Transfer of Funds (Alderney) Ordinance, 2007<sup>z</sup> –
- (a) in subparagraph (vi), omit "or", and
  - (b) immediately after subparagraph (vii), insert –  
  
"or  
  
(viii) the Al-Qaida and Taliban (Freezing of Funds) (Guernsey) Ordinance, 2011, or  
  
(ix) the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011,".

### Transfer of Funds (Sark) Ordinance, 2007.

5. In section 10(1) of the Transfer of Funds (Sark) Ordinance, 2007<sup>aa</sup> –
- (a) in subparagraph (vi), omit "or", and
  - (b) immediately after subparagraph (vii), insert –  
  
"or  
  
(viii) the Al-Qaida and Taliban (Freezing of Funds) (Guernsey) Ordinance, 2011, or  
  
(ix) the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011,".

### Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations, 2007.

6. In regulation 19(1) of the Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations, 2007<sup>bb</sup>, in subparagraph (a) of the definition of "terrorist financing", immediately after "section 8, 9, 10 or 11 of the Terrorism Law" insert ", or section 9, 10, 11, 12 or 13 of the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011".

### Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) Regulations, 2008.

7. In regulation 30(1) of the Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey)

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<sup>z</sup> Alderney Ordinances No. VI of 2007.

<sup>aa</sup> Folio No. 157.

<sup>bb</sup> G.S.I. No. 33 of 2007.

## APPENDIX I (CONTINUED)

Regulations, 2008<sup>cc</sup>, in subparagraph (a) of the definition of "terrorist financing", immediately after "section 8, 9, 10 or 11 of the Terrorism Law" insert ", or section 9, 10, 11, 12 or 13 of the Terrorist Asset-Freezing (Bailiwick of Guernsey) Law, 2011".

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<sup>cc</sup> G.S.I. No. 49 of 2008.



## **CHAPTER 15 – GLOSSARY**

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## **15 GLOSSARY**

### **15.1 Glossary of Terms**

**Account:**

Account means a bank account and any other business relationship between a prescribed business and a client which is of a similar nature having regard to the services offered by the prescribed business.

**Appropriately qualified:**

A requirement for a person to be appropriately qualified means that the person must have appropriate knowledge, skill or experience for the relevant position.

**Associated account:**

Associated account refers to an account with the same prescribed business where any of the principals are connected with an account in the same group or structure.

**Account activity:**

The provision of an estimate of the total flow of funds in and out of an account together with an estimate of the expected maximum account turnover.

**Beneficial owner:**

The natural person who ultimately owns or controls the client, and a person on whose behalf the business relationship or occasional transaction is to be or is being conducted and, in the case of a foundation, trust or other legal arrangements, this shall mean any beneficiary in whom an interest has vested, and any other person who benefits from that foundation, trust or other legal arrangement.

**Board:**

References in the Handbook to the Board refer to the board of directors of a prescribed business, where it is a body corporate, or the senior management of a prescribed business, where it is not a body corporate.

**Business relationship:**

A business, professional or commercial relationship between a prescribed business and a client which is expected by the prescribed business, at the time when contact is established, to have an element of duration.

**Business risk assessment:**

An assessment which documents the exposure of a business to money laundering and terrorist financing risks and vulnerabilities taking into account its size, nature and complexity and its clients, products and services and the ways in which it provides those services.

**Client:**

A person or legal arrangement who is seeking to establish or has established, a business relationship with a prescribed business, or to carry out or has carried out, an occasional transaction with a prescribed business. Except that where such a person or legal arrangement is an introducer, the client is the person or legal arrangement on whose behalf the introducer is seeking to establish or has established the business relationship and provided that in the case of the prescribed business of estate agency, a client also includes a person or legal arrangement who wishes to acquire an interest in, or in respect of, real property.

**Client due diligence:**

The steps which a prescribed business is required to carry out in order to identify and verify the identity of the parties to a relationship and to obtain information on the purpose and intended nature of each business relationship and occasional transaction.

**Client due diligence information:**

Identification data and any account files and correspondence relating to the business relationship or occasional transaction.

**Document:**

Includes information recorded in any form (including, without limitation, in electronic form).

**Employee:**

An individual working, including on a temporary basis, for a prescribed business whether under a contract of employment, a contract for services or otherwise.

**Express trust:**

A trust clearly created by the settlor, usually in the form of a document, for example, a written deed of trust. They are to be contrasted with trusts which come into being through the operation of the law and which do not result from the clear intent or decision of a settlor to create a trust or similar legal arrangement (for example, a constructive trust).

**FATF Recommendations:**

The International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation issued by the Financial Action Task Force.

**Financial exclusion:**

Where individuals are prevented from having access to essential financial services, such as banking services, because they are unable, for valid reasons, to produce more usual CDD documentation.

**FIS:**

Police Officers and Customs Officers who are members of the Financial Intelligence Service.

**Foreign counterparts:**

Authorities in another country or territory that exercise similar responsibilities and functions to the domestic authority referenced.

**Foundation:**

- (a) a foundation created under the Foundations (Guernsey) Law, 2012 or
- (b) an equivalent or similar body created or established under the law of another jurisdiction (and howsoever named)

**Foundation official:**

- (a) in relation to a foundation created under the Foundations (Guernsey) Law, 2012, a foundation official within the meaning of that Law, and
- (b) in relation to an equivalent or similar body created or established under the law of another jurisdiction, a person with functions corresponding to those of a foundation official described in subparagraph (a).

**Founder:**

- (a) in relation to a foundation created under the Foundations (Guernsey) Law, 2012, a founder within the meaning of that Law, and
- (b) in relation to an equivalent or similar body created or established under the law of another jurisdiction, a person corresponding to a founder described in subparagraph (a).

**Funds:**

Assets of every kind, whether corporeal or incorporeal, tangible or intangible, movable or immovable and legal documents or instruments evidencing title to, or interest in, such assets.

**Handbook:**

The Handbook for Legal Professionals, Accountants and Estate Agents on Countering Financial Crime and Terrorist Financing as revised or re-issued from time to time by the Commission.

**Identification data:**

Data, documents or information, in any form whatsoever, which is from a reliable and independent source.

**Introducer:**

A financial services business or a prescribed business which is seeking to establish or has established, on behalf of another person or legal arrangement who is its client, a business relationship with a prescribed business.

**Legal arrangement:**

An express trust or any other vehicle whatsoever which has a similar legal effect.

**Legal body:**

Bodies corporate, foundations, anstalt, partnerships, or associations, or any similar bodies that can establish a permanent client relationship with a prescribed business or otherwise own property.

**Maintain:**

The regulatory requirements of the Handbook make it clear that maintain in this context is to be read to mean that relevant policies, procedures and controls must be established, implemented and that the prescribed business must monitor such policies, procedures and controls to ensure that they are operating effectively.

**Occasional transaction:**

Any transaction where a business relationship has not been established and the transaction is more than £10,000. This includes situations where the transaction is carried out in a single operation or in several operations that appear to be linked. Transactions separated by an interval of three months or more, are not required, in the absence of evidence to the contrary, to be treated as linked.

**PEPs:**

Individuals who are or have been entrusted with prominent public functions in a country or territory other than Guernsey, for example. Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves. The definition is not intended to cover middle ranking or more junior individuals in the foregoing categories.

**Prescribed business:**

As defined in regulation 30 of the Criminal Justice (Proceeds of Crime) (Legal Professionals, Accountants and Estate Agents) (Bailiwick of Guernsey) Regulations, 2008 as amended.

**Proceeds:**

Refers to any property derived from or obtained, directly or indirectly, through the commission of an offence.

**Regulated market:**

As defined in section 9 of the Insider Dealing (Securities and Regulated Markets) Order, 1996 as amended.

**Relevant employees:**

“Relevant employees” means any -

- (a) member of the board,
- (b) member of the management of the prescribed business,
- (c) employees whose duties relate to the prescribed business, and
- (d) other employees who are exposed to the risk of money laundering and terrorist financing.

**Relevant person:**

Relevant person in the context of a foundation means the registered agent, foundation official or any other person who holds information on the identity of the underlying principals and beneficial owners of the foundation.

**Satisfied:**

Where reference is made to a prescribed business being satisfied as to a matter, that prescribed business must be able to justify and demonstrate its assessment to the Commission.

**Settlor:**

Persons or companies who transfer ownership of their assets to trustees.

**Termination:**

The conclusion of the relationship between the prescribed business and the customer/client. In the case of a business relationship, termination occurs on the closing or redemption of a product or service or the completion of the last transaction. With an occasional transaction, termination occurs on completion of that occasional transaction or the last in a series of linked transactions or the maturity, claim on or cancellation of a contract or the commencement of insolvency proceedings against a customer/client.

**Transactions:**

In the general context of the Handbook, the reference to transactions should be understood to include occasional transactions, any client facing functions, or the handling of business relationships.

**Transaction document:**

A document which is a record of a transaction carried out by a prescribed business with a client or an introducer.

**Underlying principal:**

In relation to a business relationship or occasional transaction, any person who is not a beneficial owner but who is a settlor, trustee, protector or enforcer of a trust, or a founder or foundation official (including councillors and guardians) of a foundation which is the client or the beneficiaries of which are the beneficial owners, or exercises ultimate effective control over the client or exercises or is to exercise such control over the business relationship or occasional transaction.

**Vested interest:**

An interest which, whether or not currently in possession, is not contingent or conditional on the occurrence of any event.

## **Annex to the Prescribed Business Handbook**

### **Customer Due Diligence, Using New Technology for CDD Purposes**

#### **A. 1 The Application of a Risk Based Approach to Technology for CDD Purposes**

1. A prescribed business must ensure that its AML/CFT policies and procedures contain a description which adequately explains how the electronic method or system operates and complies with the prescribed business's CDD obligations under the Regulations and rules in the Handbook.
2. A prescribed business should ensure, prior to adopting a specific electronic method or system, that it is satisfied that data capture and data validation will deliver the full extent of identity information and documentation required to comply with the applicable CDD requirements of the Regulations and rules in the Handbook.

#### **A.2 Technology Risk Evaluation**

3. A prescribed business must, prior to utilising an electronic method or system in its due diligence process, have identified and assessed the risks arising from its use in advance of deciding whether to proceed.
4. If a prescribed business decides to proceed with the electronic method or system, the prescribed business's Board must approve the technology risk evaluation and that approval must be documented. Such a technology risk evaluation must be documented in advance of implementation and retained for the minimum retention period.
5. The Board must review the technology risk evaluation in conjunction with its responsibility for oversight of compliance as described under section 2.3 of the Handbook. The Board must record its confirmation that compliance with the Regulations and rules in the Handbook is maintained by its utilisation of the electronic method or system.
6. The technology risk evaluation applies only to the use of, or potential use of, digital signatures, electronic certification and electronic verification.
7. If it is decided to use an electronic method or system then the technology risk evaluation should include an evaluation of the provider, the electronic method or system and its anticipated use.
8. The technology risk evaluation is not part of a business risk assessment, which is a reason for distinguishing it from a risk assessment as an evaluation; however reference to the technology risk evaluation should be included in the business risk assessment.
9. The technology risk evaluation need only be updated when significant changes or upgrades to systems are implemented. References in the business risk assessment should also be updated as appropriate.



## **A.3 Technology Risk Evaluation Scope**

10. It is not essential that the technology risk evaluation extend to a highly technical comprehensive report on the specifications and functionality. The objective of the technology risk evaluation is to evaluate any electronic method or system's compatibility with the Regulations and rules of the Handbook in particular the CDD requirements of Regulation 4.
11. The use of commercial databases does not require compilation of, or inclusion in, a technology risk evaluation although prescribed businesses should monitor performance as part of their oversight of compliance monitoring obligations under rule 44.

### **A.3.1 Areas to Consider when Evaluating an Electronic Method or System**

12. The following are guidelines and examples of points to consider when undertaking a technology risk evaluation. The guidelines are not exhaustive of every factor for consideration, neither are they proposed as a checklist. The guidelines propose a wide range of factors that could be considered in order to cater for the different types of electronic method or services a prescribed business might contemplate using. It is acknowledged that in some instances, prescribed businesses may elect to use alternative or a limited number of the factors listed due to the type of electronic method or system being introduced. The critical requirement is to compile a technology risk evaluation that provides assurance that the regulatory requirements will be met through using the electronic method or system.

### **A.3.2 Technology Risk Evaluation Guidelines:**

#### **A.3.2.1 Data**

- What are the data sources used and the level of accessibility?
- Where is the data stored?
- What are the levels of user security and accessibility?
- What are the methods used to transfer data and documents?
- Are there adequate controls regarding the security of data?
- Who owns the data and documentation collected? If an outsourced provider retains the data and documentation then is there a contract or contingency plan to recover any data in the event of any changes occurring in the relationship with the provider?
- Is there an ability to select and change the data sources used?
- Does the result of the change maintain compliance with data protection legislation?
- Is it necessary to obtain customer consent in order to obtain, research or retain data?
- What are the security controls surrounding the system?
- What is the testing undertaken by a provider to ensure that their data sources are and continue to be accurate and reliable?

#### **A.3.2.2 Controls**

- Does the prescribed business's existing fraud prevention policy and procedures need alignment or require amendment to accommodate process changes introduced through the technology?
- Does the prescribed business's business continuity plans consider and cater for contingency plans for disruption of the electronic method or system?
- Whether there are mechanisms in place to maintain consistency with current and any future changes in international standards and requirements?

#### **A.3.2.3 External Service or Product Providers**

- If an external provider is used, is there knowledge and documentation of the system and transparency of the methodologies used by the provider?
- Is there a capability to cancel any arrangement with an external provider?
- Does the provider have a business continuity plan?
- Are there any vulnerabilities to the sustainability of a provider through other market competitors replicating or providing a lower cost alternative?
- Are there any patent controls to prevent copying and replacement?

#### **A.3.2.4 Information Sources**

- What source(s) of information are used to corroborate any information provided and are they acceptable to the prescribed business?
- Is there an independent and reliable source to corroborate any information?
- Are a wide range of qualitative and informative sources accessed to corroborate data?
- Are the data sources able to link an individual to both current and previous circumstances? i.e. Can the method or system access negative information sources, such as databases on identity fraud and deceased persons?
- How is information matched and corroborated and is it effective?
- What is the extent of the data held, i.e. How up to date is it?
- Is it possible to obtain the full range of identification data or is there an alternative process to acquire mandatory ID data not included within the identification documents?

#### **A.3.2.5 Processes**

- What is the assurance of security and authenticity of the method used to validate a customer's details?
- If photographs are taken of an individual and/or documents how are they compared and checked to ensure authenticity?
- Is a single photograph taken, a series of photos or a video clip acquired?
- Are biometric comparisons used to validate facial features?
- For e-passports does the system read the biometric and other data stored on the embedded chip within the passport and compare it to the data on the passport and provided by the individual?
- For systems that obtain an individual's photograph and makes comparison against other documents does it provide a clear match or a percentage of assurance?

- What detection methods are used to provide for changes in identification photographs?
- What is the quality of the electronic record; are photographs clear, in colour and can all data be viewed or enlarged to add clarity?
- What methods are used to ensure that any documents are not altered or tampered?
- Are the documents subjected to independent scrutiny by personnel skilled in identifying potentially fraudulent documents?
- What testing is undertaken to ensure that the new technology method/system can detect fraudulent customers and documentation?

## **A.4 Maintaining the Effectiveness of Policies, Procedures & Controls**

13. In evaluating the suitability of an electronic method or system prescribed businesses should consider whether the particular product/system delivers corroborated and verified information in accordance with the Regulations and rules of the Handbook.
14. The Handbook requires prescribed businesses to ensure that there are appropriate and effective procedures and controls in place which provide for the Board to meet its obligations to review its compliance arrangements. Prescribed businesses should ensure that procedures and controls accurately include instances where an electronic method or system has been implemented so as to correctly depict their processes.
15. The obligations to identify and verify an individual or a legal body as described in the Handbooks remain unchanged regardless of the electronic method or system used for CDD purposes.

## **A.5 Electronic Certification – Using Digital Signatures in the Certification Process**

### **A.5.1 Digital Signatures, Introduction**

16. Digital signatures are based on Public Key Infrastructure (“PKI”) technology and guarantee signer identity and intent, data integrity, and the non-repudiation of signed documents. A digital signature should not be capable of being copied, tampered with or altered. In addition, because digital signatures are based on standard PKI technology, they can be validated by anyone without the need for proprietary verification software.
17. A digital signature is a secure method of cryptographically binding an electronic identity to a specific document. A digital signature is a mathematical technique used to validate the authenticity and integrity of an electronic message or document and creates a unique “hash” based upon the data contained within the document or message being signed.
18. The use of digital signatures provides prescribed businesses with the ability to send and receive documentation in an electronic format negating the requirement for an original ink signature, (a.k.a ‘wet signature’).

### **A.5.2 Electronic Signatures – e-Signatures**

19. The term e-signature is often confused with digital signature. Digital signature refers to the security technology used in e-business and e-commerce applications, including e-signatures. An e-signature applied with digital signature security provides added assurance to the receiving party of the provenance, identity and status of an electronic document over that provided by an electronic signature. Additionally, a digital signature acknowledges informed consent and approval by a signatory and ensures the non-repudiation of documents.
20. An electronic signature is any electronic means that indicates either that a person adopts the content of an electronic message, or more broadly that the person who claims to have written a message is the one who wrote it. An electronic signature can be as basic as a typed name or a digitised handwritten signature applied to a document as an image using a stylus.
21. An electronic signature can further be defined as data in electronic form that is attached to or logically associated with other electronic data and that serves as a method of authentication. An electronic signature is an unsecure method of signing a document and is vulnerable to forgery, copying and tampering. Additionally, an electronic signature does not provide an assurance to the receiving party that the document has not been changed, or that the person signing is who they say they are and that they intended to sign the document.

### **A.5.3 Electronic Signatures - Key Documents**

22. The following legislation are key references in respect of this facility:
  - The Electronic Transactions (Guernsey) Law, 2000 as amended.
  - The Electronic Signatures Directive 1999/93/EC.
  - With effect from 1 July 2016 a new regulatory framework (910/2014/EU) will replace the Directive on Electronic Signature (1999/93/EC).
  - EU Regulation 910/2014.

### **A.5.4 Document Security of Digital Signatures**

23. Although a digital signature produces a tamper evident seal prescribed businesses should ensure that their procedures provide for confirmation of the authenticity of a digital signature. The procedures should also include the measures to be taken in the event that checks do not confirm the integrity of a digitally signed document.

### **A.5.5 Digital Signatures Technology Risk Evaluation**

24. Due to the security controls and authentication of the source document, an attached digital signature provides confidence that the received document is genuine and not tampered with in any manner.
25. If a prescribed business decides to accept and/or use digital signatures then they should conduct a technology risk evaluation of the system and anticipated use. Guidelines for the completion of a technology risk evaluation are included in Section A.3. The

guidelines are not intended to be an exhaustive list or a full schedule of risk mitigants, they are only included as a range of factors for consideration.

26. The technology risk evaluation for the use of digital signature need only be conducted to the extent that the Board of a prescribed business is satisfied that the use of digital signatures continues to maintain compliance with existing policies, procedures and controls and therefore regulatory obligations.
27. The technology risk evaluation should extend to confirming that the digital user, (“the sender”), has appropriate authorisation controls in place regarding who is allowed to use the facility. The sender should be aware that receipt of documents that have a digital signature attached would be considered as authentic and authorised.

## A.6 Certification

- |   |
|---|
| <ol style="list-style-type: none"><li>28. If a prescribed business uses an electronic method or system for certification purposes then the rules stated in section 4.5.2 of the Handbooks, regarding suitable certifiers, applies.</li><li>29. A prescribed business must not employ an electronic method or system which enables a natural person to self-certify their personal identification documents.</li><li>30. Where a prescribed business accepts electronic certification it must only do so under a digital signature.</li><li>31. A customer submitting directly documents via a portal, phone or tablet qualifies as data collection which would require verification by a suitable certifier. A prescribed business must not accept as verification of identity uncertified documents received via a portal, phone or tablet directly from a customer.</li></ol> |
|---|
32. Use of a certifier guards against the risk that identification data provided does not correspond to the individual whose identity is to be verified. For certification to be effective the certifier will need to have seen the original documentation and, where certifying evidence of identity containing a photograph, has met the individual in person.
  33. Effective certification requires the customer to present themselves, together with their physical documentation verifying aspects of their identity, to a suitable, independent third party individual, for the purpose of the third party validating that they have both seen the documentation verifying identity and secondly that the customer is the person depicted within the documentation provided. When technology is used to fulfil certification prescribed businesses should be certain that the method includes functionality that adequately mitigate risks associated with a person not being present.
  34. Should the certifier accept the documentation presented then using digital encryption software the certifier will apply a digital signature to an electronic copy of the physical document.
  35. Prescribed businesses should use a risk-based approach when deciding whether the certification is adequate and meets the criteria described in point 116. Best practice is that the certification will incorporate the following:

- confirmation that they have met the individual in question;
  - confirmation that they have seen the original(s) of the document(s) being certified;
  - the date the document was certified; and
  - adequate details about the identity of the certifier in order that the receiving institution can satisfy itself that the certifier is a suitable person in the circumstances.
36. Copy documentation applies specifically to paper copies and not documents received through use of an electronic verification method or system that enables authentication. In both instances, (paper and electronic), the objective is to confirm a document is a true copy of an original document and prescribed businesses should use a risk-based approach to determine whether they are satisfied this has been achieved and if not apply further measures.

### **A.6.1 Risk Mitigation Measures**

37. The use of electronic certification is an acceptable form of validating the legitimacy of identity documentation provided the accepting prescribed business is satisfied on the following points:
- A prescribed business must be aware that the reliance upon alternative methods of certification is a matter for its determination based upon its understanding of the veracity of the certification processes.
  - A prescribed business utilising systems for electronic certification must be satisfied that there are adequate controls built in to the system to appropriately validate the authenticity of the identity documentation.

## **A.7 Electronic Verification - Using Technology to Verify Identity**

### **A.7.1 – Introduction**

38. Rule 101 stipulates the minimum verification requirements. Electronic verification can be used to verify all or any combination of these mandatory verification requirements. Where electronic verification does not complete all these requirements then other alternative methods must be used by the prescribed business to meet the requirements of Rule 101.
39. Electronic verification is the use of electronic method or system to verify, in whole or in part, the identity of a customer by matching specified personal information against electronically captured physical documentation and/or independent electronic sources.
40. The demand to provide faster servicing is increasing the level of development in the use of technology. Systems currently exist that provide varying degrees of certainty regarding the capture of identification and verification of customers and connected parties. These systems range in scope from the electronic capture of identification data and documentation on a face-to-face basis through to the self-capture of uncertified documentation by a prospective customer using an interactive application on a tablet or mobile phone.

41. Electronic verification is a record kept in an electronic format that contains authenticated core identity information about an individual. E-verification is using the electronic record to verify a person's identity during the due diligence process.
42. Examples are obtaining a photograph or series of photos via an application. Photographs are also collected of the identification document and address verification document. The photographs are then independently reviewed and corroborated.

#### **A.7.2 Verification of Identity of a Natural Person Using Electronic Verification**

43. The fundamental obligation is to establish that any natural person, customer, beneficial owner, underlying principal, third party or third party associate (if applicable) is who they claim to be. Prescribed businesses that verify identity through the use of electronic verification must confirm a person's existence on the basis of appropriate identification data that meets the criteria described in chapter 4, Customer Due Diligence, section 4.4.1 of the Handbook.
44. Electronic verification can help:
  - identify if there is a person in existence with the personal details of your prospective or existing customer;
  - identify the address details and history of residency are consistent with details held on commercial databases;
  - identify whether there are any criminal judgments against the individual or recorded at the individual's residence;
  - identify politically exposed persons or those that are subject to sanctions; and
  - mitigate identification fraud through confirmation that the identity relates to a living person.

#### **A.7.3 Verification of Identity of Legal Bodies Using Electronic Verification**

45. Electronic verification of the legal status of a legal body can be achieved by accessing online company registry databases or commercial databases that access the legal body's records.
46. It is not sufficient to rely solely upon confirmation of registration with a company registry. A prescribed business should ensure that it acquires company details that comply with the stipulated legal body identification and verification criteria described in section 4.6.1.
47. Identification and verification are only two parts of the CDD obligations upon firms. A prescribed business should also obtain information on the purpose, intended nature of the relationship, and consider whether the profile is consistent with the prescribed business's knowledge of the customer in accordance with the rules in Chapter 3 of the Handbook.

#### **A.7.4 Electronic Verification Risk Mitigation Measures**

48. Whilst the use of electronic verification can help to reduce the time and cost involved in gathering information and documentation on a customer, prescribed businesses should be mindful of any additional risks posed by placing sole reliance on an

electronic method or system. An example is that electronic verification can be impaired due to an inability to verify all of the required identification data.

49. Knowledge and understanding of the functionality and capabilities of the system can help provide assurance of its suitability. In particular, there should be certainty of the methods applied to match identification data. The use of more than one confirmation source to match data enhances the assurance of authenticity.

#### **A.7.5 Sources Used to Corroborate Information**

50. It is imperative that when a prescribed business is determining the means to corroborate information, that the electronic method or system uses sources that are reliable and can sufficiently mitigate exposure to fraud.
51. When considering an electronic method or system prescribed businesses should evaluate whether the data collected electronically has been entirely corroborated. For example if an identification document is photographed via an application, what checking occurs to validate the authenticity?
52. If the collected data is checked / compared against external data sources then the technology risk evaluation should include assurance that those external sources are reliable. For example does the external data provider validate its data from an original source i.e. the identification document issuer?
53. To mitigate the risk of impersonation fraud, prescribed businesses could add additional verification through the confirmation of details via a second commercial database or alternatively a further primary verification source. Commercial databases are those usually maintained by an entity that has access to current data collated from a reputable source e.g. address from national telephone records or electoral register. It is for the prescribed business to determine choice of a database.

#### **A.7.6 Online Utility Bills**

54. The default option is to obtain a form of address verification that has been delivered to the customer by the post, however the use of online utility billing is becoming more prevalent. In order to accept an online bill as address verification it is essential to ensure that the utility service is delivered to the property in question.
55. The acceptance of online bills should only be used in respect of utility services relating to services provided to the customer's residence and for lower risk relationships where simplified due diligence may be applied. A prescribed business should evaluate the overall risk in determining its procedures, however the following criteria are expected to be applied to use of online utility bills to verify address:
  - that it can only be used for Channel Island based relationships as a simplified due diligence measure;
  - that it can be corroborated by independent means, for example confirming the address in the telephone directory;
  - that it can only be for utility services provided to the customer's residential address. Mobile phone bills are not acceptable unless they are part of a package of services provided to the householder e.g. broadband and landline;



- include the customer's name and address and appropriate references to the service provider, including the service provider's address and contact details; and
- be delivered to an email address that has been identified by the customer as the customer's e-mail address.

## **A.8 Record Keeping Requirements**

56. The record keeping requirements, detailed in chapter 10, of the Handbook remain unchanged. The use of technology to collect and/or store data and documents does not alter the obligations and requirements described in the Handbooks.
57. Prescribed businesses should cover in their use of technology risk evaluation the retention of documents in electronic format to ensure they do not incur legal evidential difficulties, for example, in civil court proceedings.

Retention may be:

- By way of original documents;
- On microfiche;
- In a scanned form;
- In a computer or electronic form.