



Bailiwick of Guernsey
Financial Intelligence Unit

NRA Update

Financial Intelligence Unit

23rd January 2024

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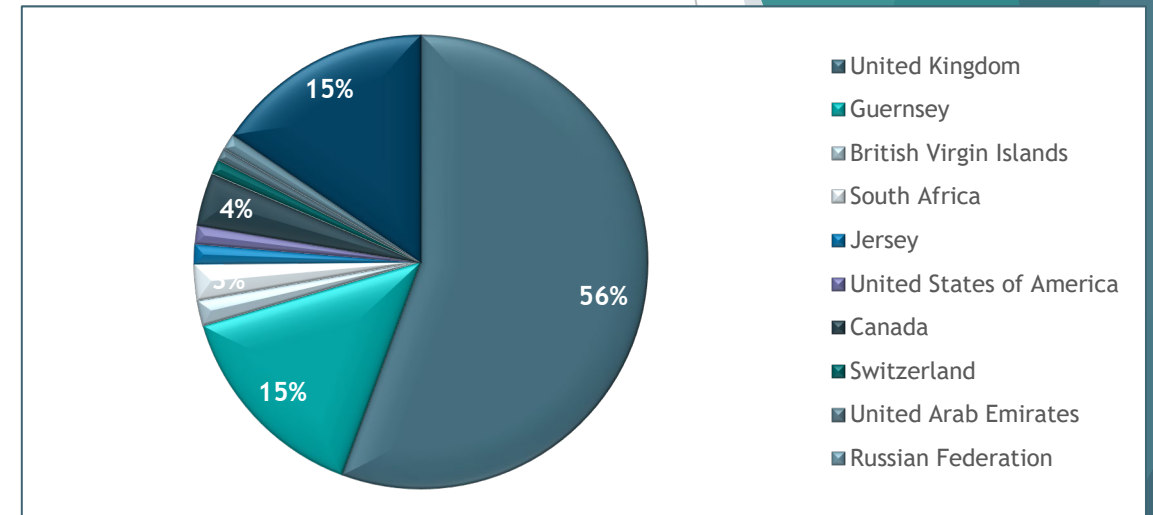
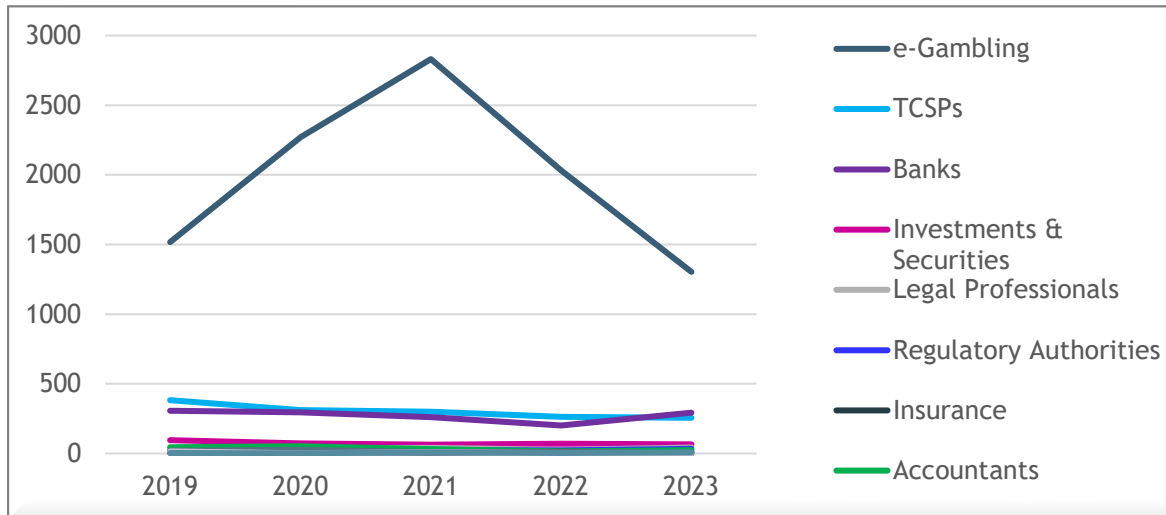


Bailiwick of Guernsey

Financial Intelligence Unit

1. FIU Statistics – Do they align to NRA
2. FIU focus on NRA1 and NRA2
3. Engagement with Boards of Directors
4. Functions of the FIU – use of NRA operationally
5. Outreach to reporting entities
6. Strategic Analysis
7. Case Studies

Do FIU Statistic's (2023) Align to the NRA Risk ?

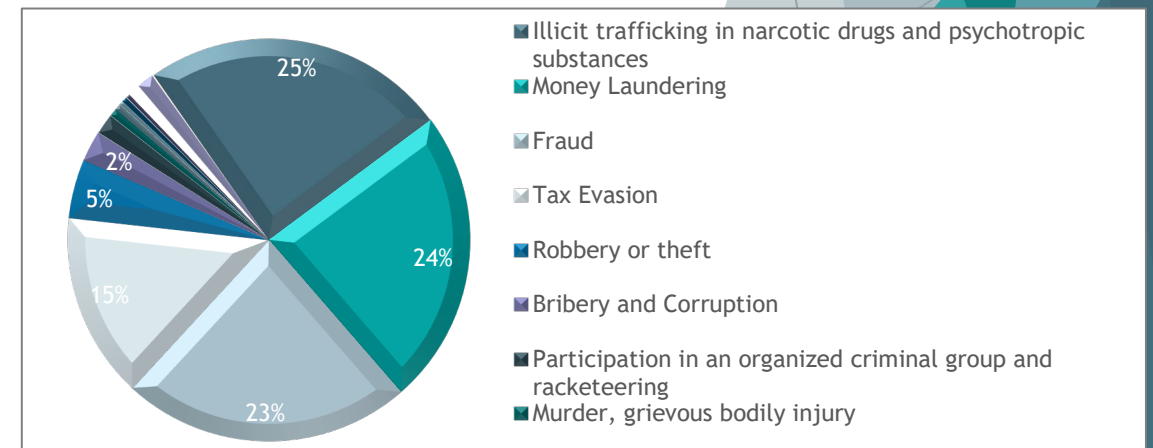


Sector Risk - e-Gambling? TCSPs, Banks

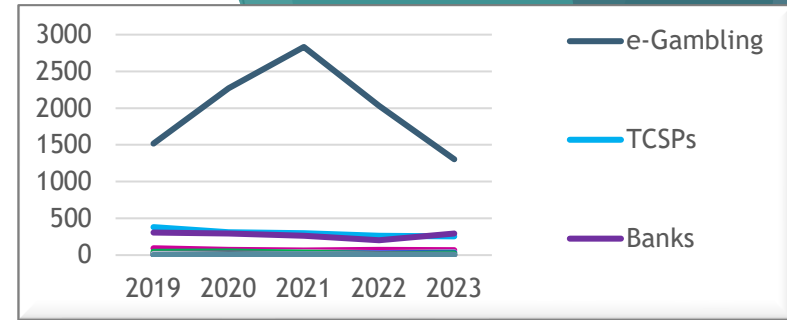
Country Risk - UK? Linked to UK, USA and Europe

Criminality - Drug Trafficking? Bribery & C, Tax E / Fraud

Analysis needed to assist to ID NRA Risks & Vulnerabilities



What did the FIU do post NRA1



- FIU focused on international risk/threat
 - Bribery & Corruption – IACCC [*Associate Member July 2020*]
 - Fraud / Tax Evasion – HMR&C / Revenue Service [*Use of Embedded Officer*]
 - Engagement with JMLIT (PPP) – MOU July 2021
- FIU identify high reporting of e-gambling SARs – what did the FIU do?
 - Outreach to the sector & engagement with the AGCC – strategic analysis/paper
 - Result? Decline in number of SARs / Risk for NRA 2 increased for sector
- Changes to THEMIS – Risk Matrix / Scoring
- Focus on increased outreach to reporting entities
 - Outreach Plan / Engagement with Boards

Risk Based Approach – Post NRA 1

- Focus on the Bailiwick’s risks / vulnerabilities identified in NRA
- FIU case referrals to the EFCB / other Authorities focus on the higher/medium higher risk sectors
- FIU focus on developing intelligence linked to money laundering, bribery & corruption, tax evasion and fraud
- FIU refer cases that are outside the NRA if in the public interest
- FIU also implement measures to mitigate or prevent threats and risk - use of the Guernsey Integrated Money Laundering and Terrorist Financing Intelligence Task Force (GIMLIT) [PPP] and other PPPs [*Quad Islands and UK / EUROPOL*]

MONEY LAUNDERING RISKS	
RESIDUAL RISK RATING	SECTOR/PRODUCT
Very much higher	
Much higher	
Higher	Private banking sector TCSP sector (legal persons and legal arrangements) Foreign legal persons Domestic legal persons and legal arrangements (cross-border activity apart from retirement/pension solutions)
Medium Higher	Retail banking sector Investment sector (asset management etc.)
Medium	Investment sector (collective investment schemes) Legal sector Foreign legal arrangements
Medium Lower	Insurance sector (life insurance/pensions) TCSP sector (retirement/pension solutions) Non-core financial services businesses e-Casino sector Accountancy sector Manumitted NPOs ³ Domestic legal persons and legal arrangements (retirement/pension solutions) Emerging products and technologies Cash Trade
Lower	Insurance sector (captive/reinsurance/ILS) Real estate sector DPMS Domestic legal persons and legal arrangements (no cross-border activity – local businesses etc.) Registered NPOs
Much Lower	Insurance sector (general incl. kidnap and ransom)
Very much lower	OA&DC

Board of Directors Engagement – Post NRA1

- FIU Engagement with Board's of all Sectors in NRA1 [*excluding e-gambling*]
- Re-affirm the Guidance issued by the FIU on Quality of SARs [pre NRA1]
- Review of SARs made to the FIU
- Appropriate policies and procedures in place
- Quality of SARs improved ?
- Quarterly 'Feedback' to Boards
 - No of SARs / Quality
 - No of THEMIS notices received [**and read**] [impact on the business]
 - No of Sanctions notices received [**and assessed**] [impact on the business]
 - FIU Guidance / e-learning modules [provided to the Board]

Guidance on Submission of SARs

- New Guidance issued December 2020 [revised Sept 2023 –changes to THEMIS]
- All MLROs should be familiar with it (FIU website)
- Purpose is to ensure consistent quality of reporting so as to enable FIU to do its job efficiently
- More granular than previous Guidance – aim is to pull information from you in a usable form
- Key message
 - Attempt to negate suspicion before filing a SAR
 - Be clear in your language
 - Be concise, but give a full picture
 - Put information in the right place
 - Many fields are optional, but essential to complete if applicable
 - Do not just dump information in the Grounds for Suspicion text box
 - SAR E-Learning Module <https://elearning.easygenerator.com/0b114faa-7434-428a-95b4-6d950eac2d93/>

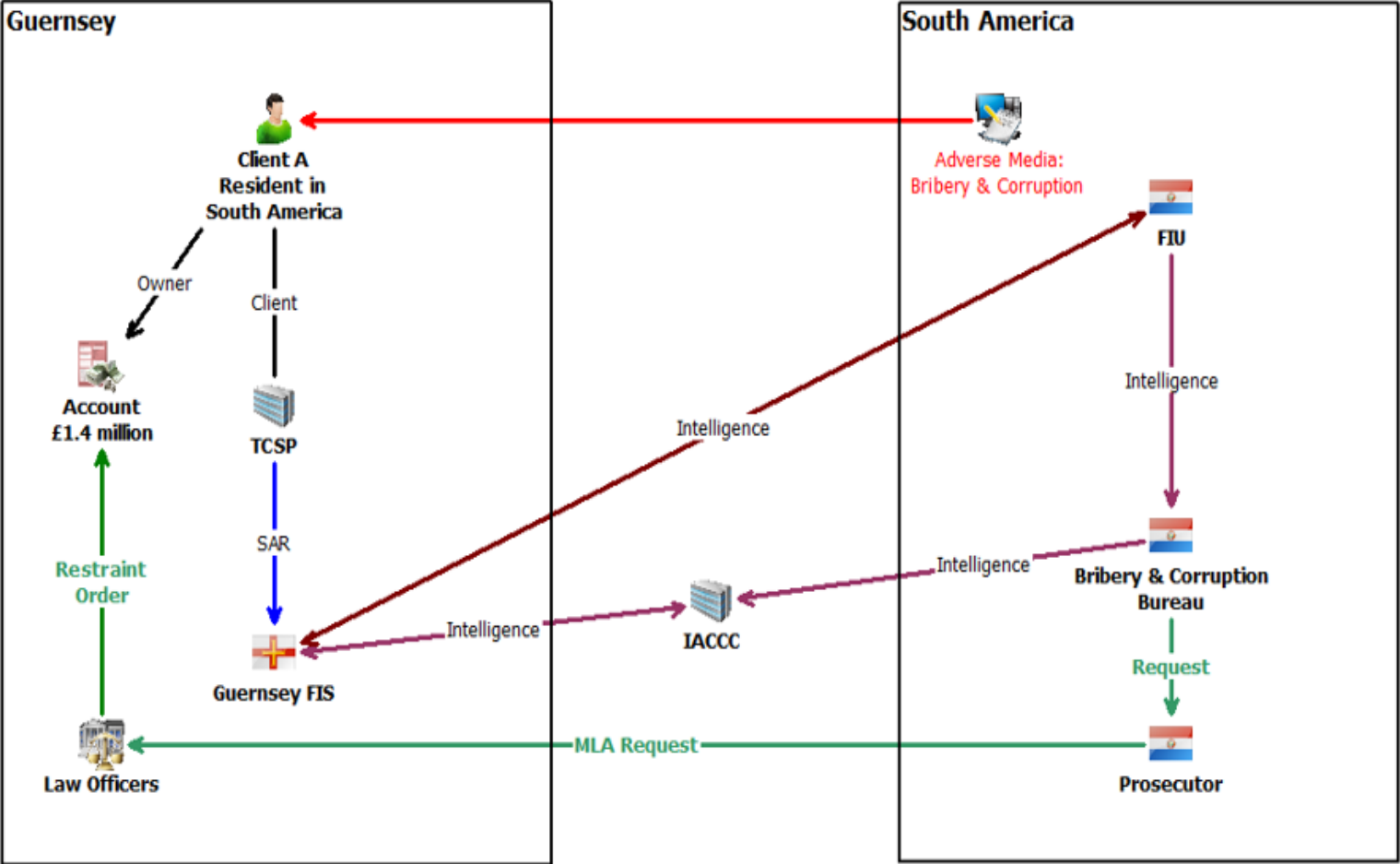
FIU Strategic Analysis

- What is Strategic Analysis?
 - FATF Rec 29.4 – The use of FIU information and other data to identify ML, TF or PF related threats, vulnerabilities, trends and patterns
- Why does the FIU undertake Strategic Analysis?
 - To identify the risks to the Bailiwick and inform other authorities of these risks
 - To identify ML, TF and PF typologies
- Examples of Strategic Analysis by the FIU
 - Exposure from Saudi Arabia / Russia, Bribery & Corruption [Ukraine conflict]
 - Exposure from data leaks – Panama, Pandora and Cyprus papers (Nov 23)
 - Legal persons and legal arrangements
- Examples of products produced by the FIU
 - Risk Indicators (B & C / TF), typologies, guidance, e-learning products (SAR quality, Consent, Proliferation)

Case Study





Summary

- TCSP Sector SAR
- High risk country
- Bribery & Corruption
- TCSP file SAR to FIU
- FIU disseminate to foreign FIU
- FIU liaise with IACCC (UK) / foreign bribery & corruption authorities
- Permission to disseminate to prosecutor (Country A)
- Mutual Legal Assistance (MLA) request to Guernsey HMP
- Evidence provided



Typology - Tax Evasion

3.1 Red flag indicators

-  Transfers of funds between business and personal accounts.
-  Payments deposited in personal bank account and indicated as loan repayments to the shareholder.
-  Customer hesitant to provide documentation to support basis of payments.
-  Inconsistencies in documents finally produced.

3.1 Typology

During a review of Company A's business account, a private bank notes a number of substantial payments to the personal account of Person A held at the same bank. Person A is the legal and beneficial owner of Company A. All of the payments are marked as being loan repayments to the shareholder. The bank requests documentation to further explain the payments.

Person A is reluctant to provide the documents and the bank therefore requests a face-to-face meeting. Person A then produces financial statements and copies of tax returns.

Analysis of the documents shows that Company A's declared income for the year was approximately £675,000 whilst amounts credited to Company A's account were in excess of £1,000,000.

Typology - Bribery & Corruption

4.4 Red flag indicators

-  Approached on behalf of a natural person resident in a high-risk country.
-  Use of companies which are registered in countries with simplified company registration.
-  Inadequate explanation of source of funds.
-  Investments in the fund redeemed to an unknown third party.
-  Multiple jurisdictions involved, with no clear commercial rationale.

4.4 Typology

A newly formed Guernsey investment fund is approached by the financial adviser of a 'wealthy Russian' Person A, who is seeking a high return on an investment. The source of funds transferred into the investment fund on behalf of Person A is from a bank account in Cyprus in the name of an investment company, Company A.

The investment fund makes a profit and on instructions via Person A, money is periodically withdrawn from the fund and transferred to a third party bank account in Monaco, which is controlled by Person B.

Open source monitoring reveals that Company A is linked to a criminal organisation in Russia which is being investigated for illegal arms dealing and that Person B is the wife of Person C who allegedly received bribes in a company in Russia.

FIU Involvement NRA2

- Intelligence received by the FIU
 - Suspicious Activity Reports / Requests for Assistance (including Beneficial Ownership)
 - Aligned to Mutual Legal Assistance Requests
- Strategic Analysis of SAR data – assists in identifying risks
- Liaison with other Authorities / Regulators [GFSC/AGCC]
 - Focus on - Cash, Fraud, Money L, NPOs, Proliferation, Sanctions, Tax and Terrorist Financing
- Engagement with International partners
 - UK Authorities [Quad Island Forum and Sub Forums]
 - Internationally [EGMONT / IACCC / other authorities]
- Assists in the compilation of NRA2

www.guernseyfiu.gov.gg

Money Laundering, Terrorist
Financing and Proliferation
Financing Typologies

December 2023



 Bailiwick of Guernsey
Financial Intelligence Unit



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Gathering information on money
laundering and terrorist financing