



BAILIWICK OF GUERNSEY
LAW ENFORCEMENT

Financial Intelligence Service

Annual Report 2015

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GUERNSEY FINANCIAL INTELLIGENCE SERVICE

ANNUAL REPORT 2015

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MESSAGE FROM THE SENIOR INVESTIGATION OFFICER OF THE FINANCIAL INTELLIGENCE SERVICE

It is my pleasure to present the 2015 Bailiwick of Guernsey, Financial Intelligence Service (FIS) Annual Report.

The FIS is the competent authority for the receipt, analysis and dissemination of financial intelligence in a timely and efficient manner, and provides good quality financial intelligence both domestically and internationally. The FIS continues to proactively identify and target those engaged in financial and economic crime and assists in ensuring that the Bailiwick of Guernsey remains safe and secure.

2015 saw an increase of 20% in Suspicious Activity Reports (SARs) received, a figure which has steadily increased over the past few years. The high complexity of and increase in SAR submissions received can be attributed to entities having a better understanding of their obligations to disclose, and improved practices to identify suspicious activity due to initiatives and education provided through guidance, typologies and presentations delivered by the FIS.

Strategic analysis is playing a progressively key role in identifying trends and patterns of money laundering and terrorist financing and in identifying the Bailiwick's threats and vulnerabilities.

The main criminality reported through SARs in 2015 was that of 'fraud' followed by 'tax evasion' and 'money laundering'. Notably, this report identifies that organised criminal gangs are exploiting the advance in information technology in order to attempt to infiltrate legitimate bank accounts, on occasions successfully. However, the increase in reports on 'attempted transactions,' that is transactions which are attempted but are ultimately not successful, has highlighted that industry is alert to the techniques employed by these organised gangs. The decrease in the success of these attempted frauds can be attributed to the enhanced vigilance of the finance industry and wider community, assisted by the deliverance of training provided to industry by the FIS.

The dissemination of financial intelligence to other competent authorities is a key imperative for the FIS. The FIS could not produce such comprehensive reports, for onward dissemination, without assistance from other key government agencies and stakeholders. Cooperation and assistance from other international law enforcement counterparts is also essential in fulfilling our role in combatting money laundering and acts of terrorism on an international scale.

A high level of focus and priority is given to developing packages that can be adopted for criminal investigation and dissemination to the appropriate authorities.

This report includes the recommendations made by MONEYVAL during the 4th assessment visit and subsequent mutual evaluation report of the Bailiwick which was adopted at its 48th Plenary in Strasbourg, 14th - 18th September 2015. I am very pleased to report that the FIS received an overall rating of largely compliant.

Through working together with industry and other key stakeholders, the FIS will continue to identify and target those engaged in financial and economic crime.

My recognition and gratitude go to the hardworking team of the FIS, as without their efforts, the FIS would not be as effective in our fight against combatting financial and economic crime.

I look forward to reporting on the success of the FIS in future publications of this report.

Adrian Hale

Senior Investigation Officer, Financial Intelligence Service

THE FINANCIAL INTELLIGENCE SERVICE

The Financial Intelligence Service (FIS) is a part of the Economic Crime Division of the Guernsey Border Agency (GBA), and is Guernsey's Financial Intelligence Unit (FIU). It is jointly staffed by Officers from Guernsey Police and GBA.

FIS OBJECTIVES

1. To support the work of other financial and economic crime teams, through the development of financial crime intelligence into viable financial and economic crime investigations, with an emphasis on identifying money laundering cases and the prevention and disruption of the financing of terrorism.
2. The receipt, development, analysis and dissemination of financial intelligence in a timely and effective manner and providing good quality financial intelligence to other competent authorities both domestically and internationally.
3. To maintain the security of the FIU, ensuring that the information is managed and disseminated securely and that the protection of the confidentiality of the information is maintained appropriately.
4. To respond to international requests for assistance in a timely manner, adding value where possible.
5. To facilitate the collection of SAR data through the online computer system (THEMIS) and the effective management and timely response to consent requests.
6. To provide feedback and guidance to industry to maintain the appropriateness and quality of SAR reporting.

GUERNSEY FIS AT A GLANCE

The FIS has operational independence and is free from undue influence or interference whether from political, government, industry or other sources.

OUR ROLE

‘The FIS is the competent authority within the Bailiwick of Guernsey for the collection of SARs, the analysis and dissemination of financial intelligence to combat money laundering and countering the financing of terrorism’

STRATEGIC AIMS

- ◇ ‘The FIS will manage the delivery of full international cooperation, within the law, to competent and relevant overseas authorities’
- ◇ ‘The FIS will provide quality intelligence with regards to all aspects of financial crime investigations, with emphasis on combatting money laundering and countering the financing of terrorism, and will ensure that parallel financial investigations are undertaken in acquisitive criminal investigations’
- ◇ ‘The FIS will deliver services to enhance the coordination and the development of criminal intelligence to combat financial crime’

2015 HIGHLIGHTS

Contributed to investigations of money laundering (including in relation to drugs, fraud, theft and other offences)

Delivered presentations to a wide range of entities in Guernsey to enhance the reporting of suspicious transactions/activity

978 Suspicious Activity Reports (SARs) received from reporting entities, a 20% increase on 2014

Signed 2 Memorandums of Understanding concerning cooperation in the exchange of financial intelligence related to money laundering and the financing of terrorism with France and Taiwan

International cooperation including the EGMONT Group, CARIN, Financial Action Task Force, and MONEYVAL

Delivered a joint presentation alongside the Guernsey Registry to non-profit organisations, namely charities, to enhance the reporting of suspicious transactions specifically related to the financing of terrorism

A tri-island meeting was held in Jersey, where the heads of the FIUs from Guernsey, Jersey and Isle of Man met and discussed topics ranging from virtual currencies, legislative developments, suspicious activity reports and trends to technology

THE DISCLOSURE (BAILIWICK OF GUERNSEY) LAW, 2007

The legal basis for the reporting of suspicion in respect of money laundering is set out in the Disclosure Law (Sections 1, 2 and 3):-

- ◇ **Section 1** - Failure to disclose knowledge or suspicion etc. of money laundering - financial services businesses
- ◇ **Section 2** - Failure to disclose knowledge or suspicion etc. of money laundering - nominated officers in financial services businesses
- ◇ **Section 3** - Failure to disclose knowledge or suspicion etc. of money laundering - non financial services businesses

The legislation imposes a positive obligation to report suspicion that another person is engaged in money laundering or that certain property is or is derived from the proceeds of criminal conduct (The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2014).

THE DISCLOSURE (BAILIWICK OF GUERNSEY) REGULATIONS, 2007

The Disclosure Regulations (Regulation 1) prescribes the form and manner in which disclosures are made to the FIS as the service for the receipt, analysis and dissemination of SARs within the Bailiwick and elsewhere. The online reporting facility, THEMIS, is the prescribed manner in which SARs should be reported.

REGULATION 2—ADDITIONAL INFORMATION

Obtaining additional information from reporting entities is prescribed under Regulation 2 '*Request for additional information*' which requires any person that has submitted a SAR pursuant to sections 1 to 3 of the Disclosure Law to provide the FIS with additional information.

The Regulations also provide that after a disclosure has been made, the FIS can request additional information from '*the initial disclosure*' within a specified time period (7 days), and creates an offence if this information is not provided. However, the additional material must be information which is reasonably necessary to inform a decision as to whether or not to pursue a criminal investigation.

THE DISCLOSURE (BAILIWICK OF GUERNSEY) (AMENDMENT) REGULATIONS 2014—REGULATION 2A

The Home Department introduced statutory instrument 2014/No 50 (The Disclosure (Bailiwick of Guernsey) (Amendment) Regulations, 2014) on 7th August 2014 which amended the Regulations to request additional information from third parties. This amendment extends the power to obtain additional information from any third party associated with the initial disclosure.

In accordance with Regulation 2A if an officer has reasonable cause to believe that a third party is in possession of relevant information they may request that person or entity to produce the information. The officer must confirm that this information is 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.

THE TERRORISM AND CRIME (BAILIWICK OF GUERNSEY) LAW, 2002

The legal basis for the reporting of suspicion in respect of terrorist financing is set out in the Terrorism Law (sections 12, 15 and 15C):-

- ◇ Section 12 - Disclosure of information: duty of persons not connected with Financial Services Businesses;
- ◇ Section 15 and 15C - Failure to disclose: Financial Services Businesses.

The laundering offences created by this law are similar to the Disclosure Law, but relate to funds derived from, or likely to be used for acts of terrorism. The law also makes it an offence to fail to disclose suspicion that a person is involved in terrorist financing or laundering terrorist funds, or to tip off any person that a disclosure has been or will be made, or to provide information to any person that might prejudice an investigation.

THE TERRORISM AND CRIME (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE, 2014

The May 2014 Ordinance made changes to ‘Purposes of Terrorism: Interpretation’. In this Law “purposes of terrorism” includes the provision of support to a person involved in terrorism whether or not such support is provided in relation to a specific act of terrorism. The ordinance extended the powers of the legislation to make it an obligation, under the law, to disclose knowledge, suspicion, etc. that another person is engaged in terrorist financing or suspicion that certain property is or is derived from terrorist property.

THE TERRORISM AND CRIME (BAILIWICK OF GUERNSEY) REGULATIONS, 2007

The Terrorism Regulations prescribe the form and manner in which disclosures under sections 12, 15 and 15C are made to the FIS. The online reporting facility THEMIS is the prescribed manner in which SARs should be reported under these regulations.

THE TERRORISM AND CRIME (BAILIWICK OF GUERNSEY) (AMENDMENT) REGULATIONS 2014 - REGULATION 2A

The Home Department introduced statutory instrument 2014/No 51 the Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Regulations, 2014) on 7th August 2014 which amended the Regulations to request additional information from third parties. This amendment extends the power to obtain additional information from any third party associated with the initial disclosure supplied under the terrorism legislation.

In accordance with Regulation 2A if an officer has reasonable cause to believe that a third party is in possession of relevant information they may request that person or entity to produce the information. The officer must confirm that this information is necessary in order to establish;

- ◇ Whether any person is engaged in terrorist financing, or
- ◇ That certain property is or is derived from terrorist property.

Although there is information on what is meant by the proceeds of crime available on the websites of the Guernsey Financial Services Commission and the Alderney Gambling Control Commission, institutions are reminded that 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 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
- ◇ Counterfeiting currency
- ◇ Counterfeiting and piracy of products
- ◇ Environment crime
- ◇ Murder, grievous bodily injury
- ◇ Kidnapping, illegal restraint and hostage-taking
- ◇ Robbery or theft
- ◇ Smuggling
- ◇ Extortion
- ◇ Forgery
- ◇ Piracy
- ◇ Insider trading and market manipulation

FINANCIAL ACTION TASK FORCE (FATF)

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the ministers of its member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combatting money laundering, terrorist financing and other related threats to the integrity of the international financial system. The FATF is therefore a 'policy-making body' which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

The FATF has developed a series of Recommendations that are recognised as the international standard for combatting of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. They form the basis for a coordinated response to these threats to the integrity of the financial system and help ensure a level playing field.¹

The FATF Recommendations set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction. Countries have diverse legal, administrative and operational frameworks and different financial systems.

The FATF Recommendations, therefore, set an international standard, which countries should implement through measures adapted to their particular circumstances.

The FIS is required to demonstrate compliance with these Recommendations, and these Recommendations formed the basis for the MONEYVAL evaluation, against which the FIS were evaluated in 2014.

Further information about the FATF can be found here: www.fatf-gafi.org



¹ FATF-GAFI 'Who we are' (fatf-gafi.org/about/)

MONEYVAL REPORT

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism, MONEYVAL, is a monitoring body of the Council of Europe and a leading international body for assessing the effectiveness of and compliance with the measures in place to prevent money laundering and the financing of terrorism. As well as making recommendations to national authorities in respect of necessary improvements to their systems.

MONEYVAL aims to improve the capacities of national authorities to fight money laundering and terrorist financing more effectively.

In 2014 the Bailiwick of Guernsey were subject to a 4th round mutual evaluation by MONEYVAL to assess our compliance with the FATF recommendations.

The MONEYVAL report was published in September 2015 and showed that Guernsey has made major progress against the evolving international standards in these areas - and has surpassed the equivalent International Monetary Fund (IMF) report that similarly assessed Guernsey in 2010.

The main findings from the report include that :

- ◇ The Bailiwick has substantially strengthened the anti-money laundering and combatting the funding of terrorism preventive measures to which its financial institutions are subject
- ◇ The Bailiwick has in place a range of measures to facilitate various forms of international cooperation
- ◇ Competent authorities and financial institutions are highly competent, knowledgeable and aware of their obligations

The full report on the Guernsey Assessment can be found here:

[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round4/GUE_MER_\(2016\)18_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round4/GUE_MER_(2016)18_en.pdf)

INDUSTRY OUTREACH

The FIS provided presentations to a variety of entities throughout the year, including banks, trust and company service providers, charities and non-profit organisations and legal professionals amongst others. The FIS continue to support key associations, with yearly presentations including the Guernsey Association of Compliance Officers (GACO), Guernsey Training Agency (GTA) and Society of Trust and Estate Practitioners (STEP).

In 2015, the FIS delivered presentations on:

- ◇ The Prevention of Money Laundering and Compliance Training;
- ◇ The Role of the FIU;
- ◇ Reporting Suspicion to the FIS;
- ◇ Identifying and Reporting Suspicion;
- ◇ International Standards on the Combatting of Money Laundering and Terrorist Financing;
- ◇ SARs—Theory & Practice;
- ◇ Dealing with Suspicion;
- ◇ Bribery and Corruption;
- ◇ Organised Crime Groups—The Impact on Financial Services Businesses

The FIS actively seeks feedback from entities who attended these presentations. The feedback received reflected that the participants had a better understanding of their obligations to disclose, as well as an enhanced understanding of the FIS and their role within combatting money laundering and terrorist financing.

In addition to industry focused presentations, the FIS has a mechanism in which important AML/CFT information can be disseminated to all registered users of THEMIS (the FIS online portal). This mechanism is both timely and effective. In 2015, the FIS published 75 Sanctions Notices, Guidance and Information and Risk Warnings.

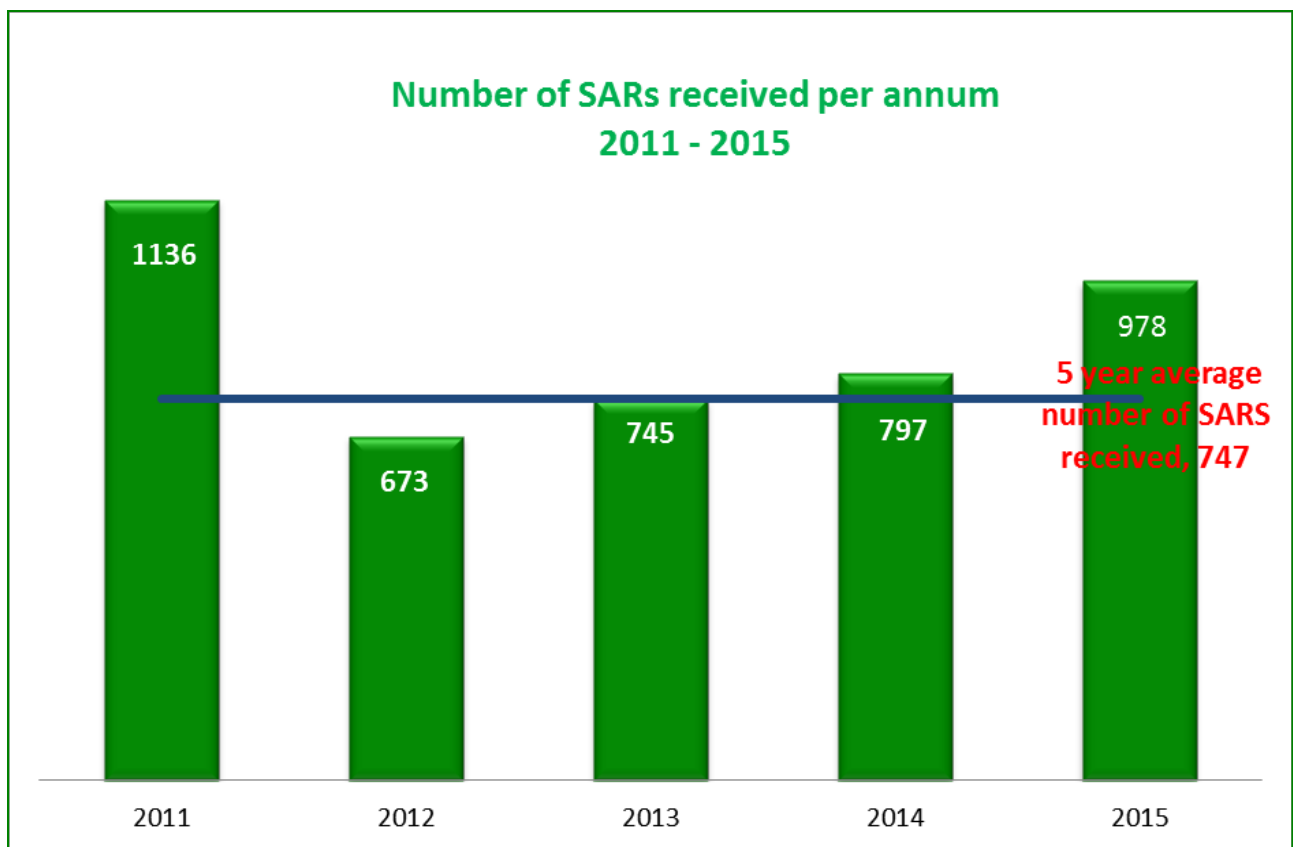
The FIS are aware that such notices may be available from other sources and thus represent a duplication of information; however, the manner of dissemination from the FIS is considered to be an efficient method to provide key AML/CFT information to a wide forum.

The FIS publishes Risk Warnings to industry through the THEMIS portal, and publishes news regarding the work of the FIS on the FIU website.
Further information on Industry Outreach is available on guernseyfiu.gov.gg

STATISTICS—SARS

The FIS is the competent authority for receiving reports of suspicion or SARs, the analysis of these reports, and disseminating the results of that analysis. Analysis is carried out at both an operational and a strategic level. In addition, the FIS responds to requests for assistance from other domestic and international authorities.

The primary objective of the FIS is to receive, develop and disseminate financial intelligence in association with other agencies, in order to combat money laundering and terrorist financing, both locally and internationally. The FIS is able to obtain additional information from reporting entities and has access, on a timely basis, to the financial, administrative and law enforcement information that it requires to undertake its functions properly.



The table above demonstrates that other than in 2011*, the annual level of SARs is increasing year on year. This is attributed to entities having a better understanding of their obligations to disclose and improved practices to identify suspicious activity due to training and presentations to industry during 2015 and previous years.

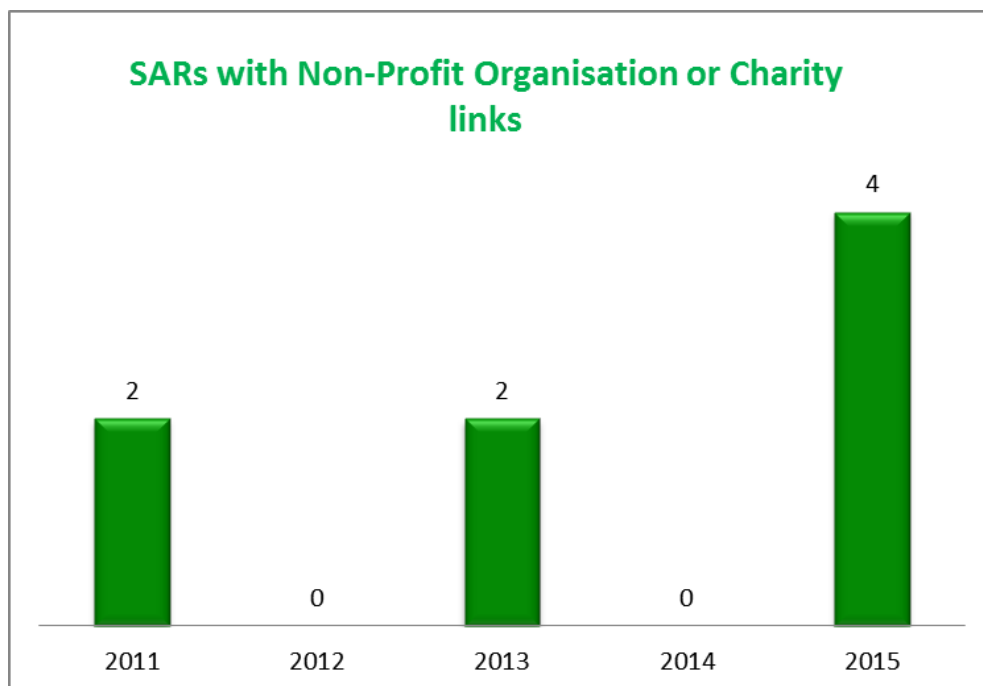
**The large increase seen in 2011 was due to a change in the EU tax reporting directive and a duplication of entry rate estimated at approximately 5% of the total number of SARs as a consequence of the introduction of the on-line reporting facility known as THEMIS.*

STATISTICS—SARS

SARs RECEIVED BY LEGISLATION	2011	2012	2013	2014	2015
The Terrorism & Crime (BoG) Law, 2002	2	2	5	4	3
The Disclosure (BoG) Law, 2007	1134	671	740	793	975

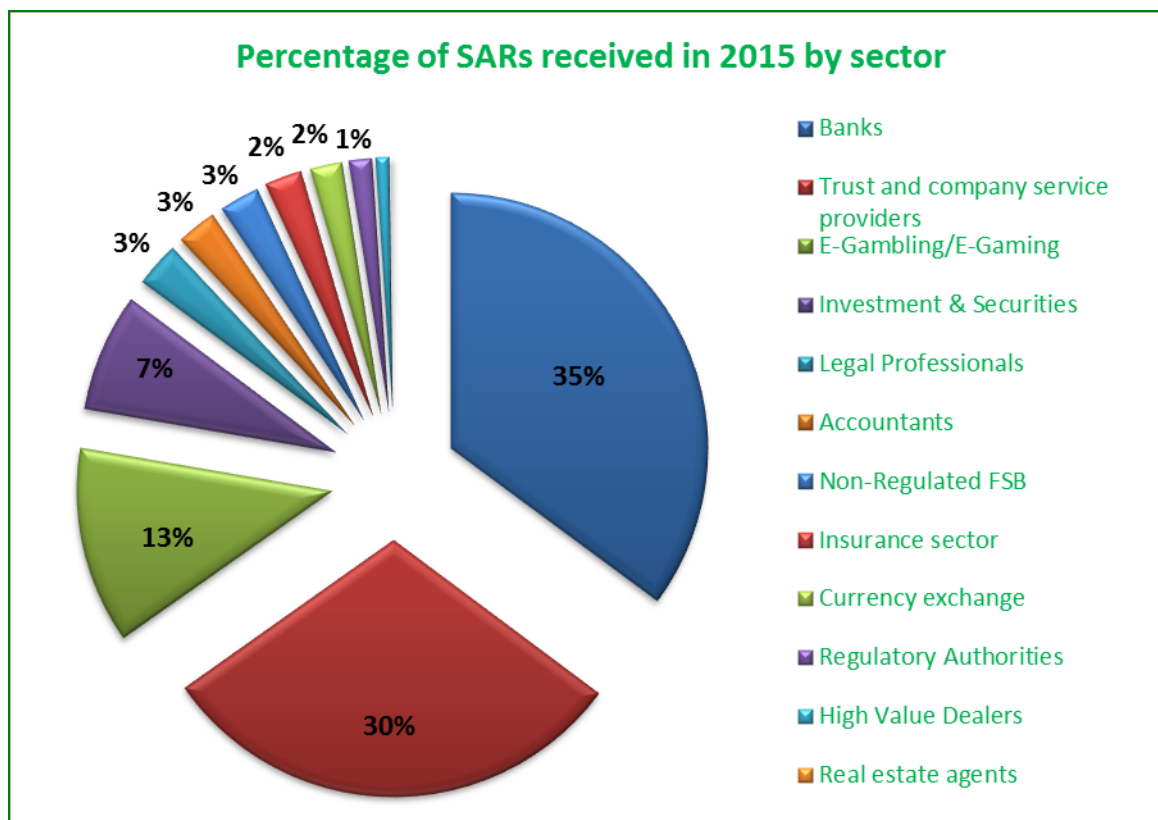
Analysis of all SARs received under the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 are undertaken by the FIS. In the majority of cases intelligence reports were disseminated to various competent authorities, including the National Terrorist Financial Investigation Unit (NTFIU) in the UK. These did not lead to any follow-up requests for assistance.

If any of these cases had indicated that there were grounds for a terrorist financing investigation or prosecution, this would have been pursued. The low figures of submitted SARs in relation to terrorist financing have prevented identification of any clear trend.

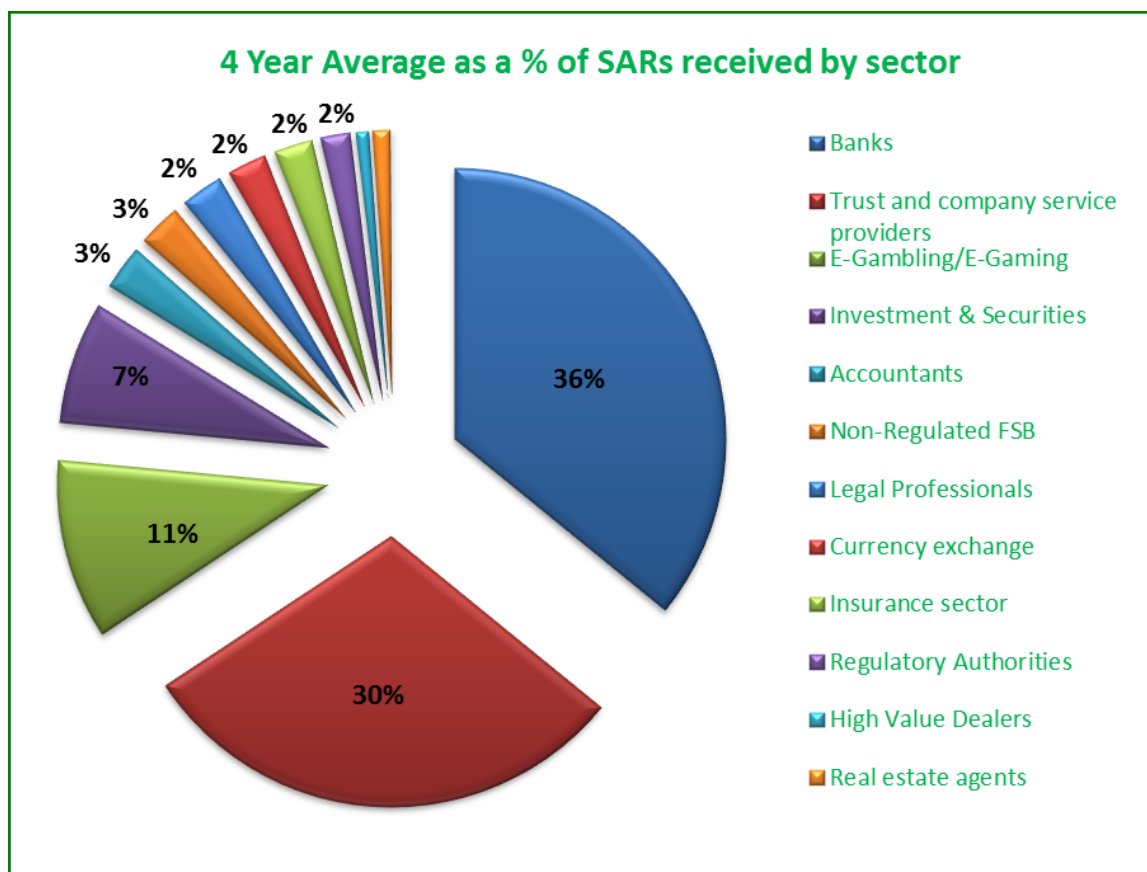


The number of SARS with a link to charities or Non-Profit Organisations (NPOs) in the same period was also extremely low and mainly concerned tax evasion.

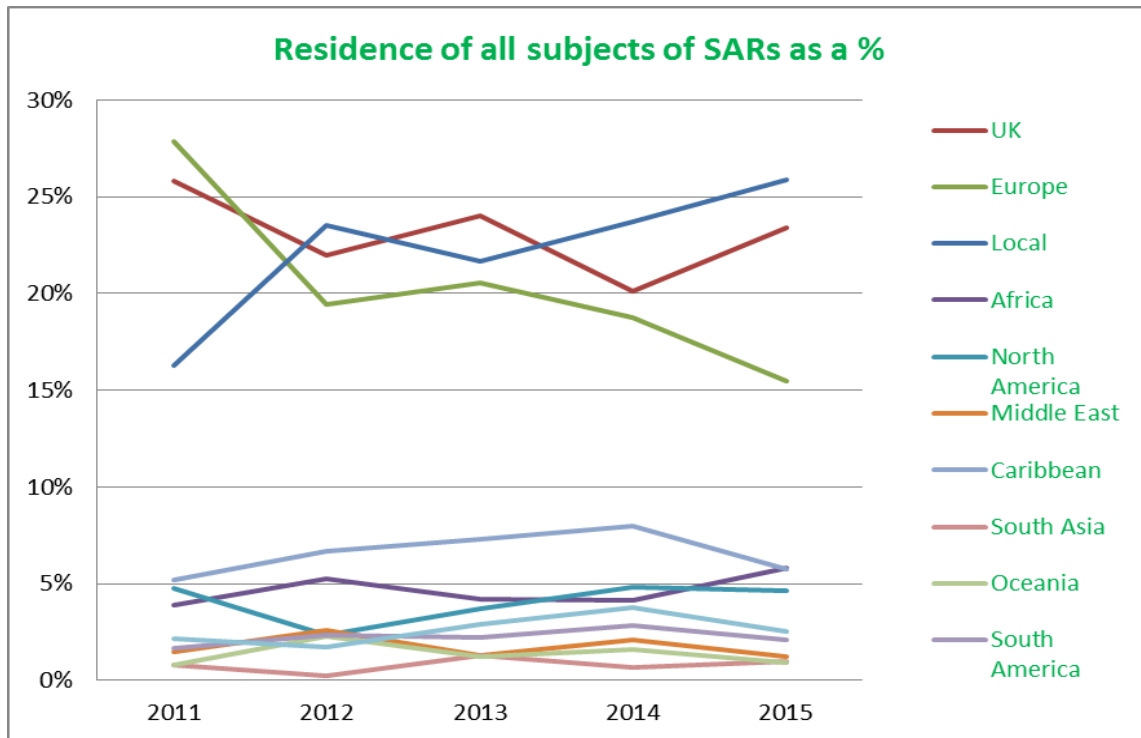
STATISTICS – SARs BY SECTOR



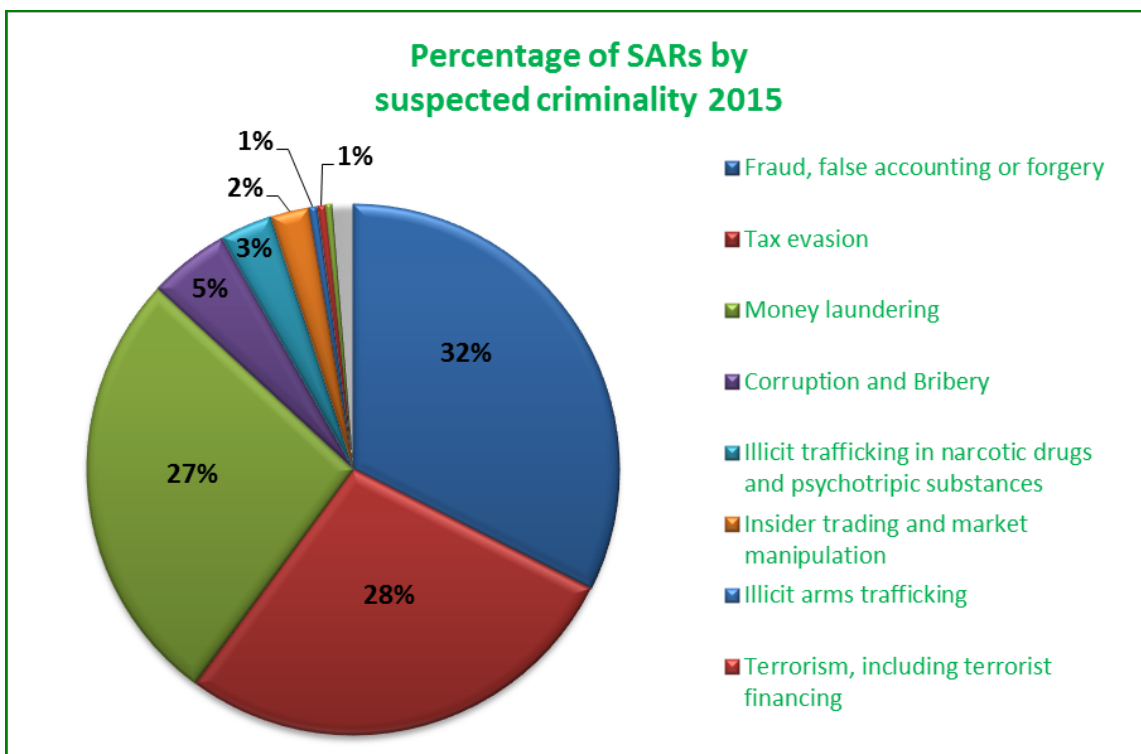
In 2015 the Banking sector submitted the largest proportion of SARs to the FIS, followed by the Trust and Company Service Providers. This trend is reflected across the four year average of SARs received.



STATISTICS—SARS

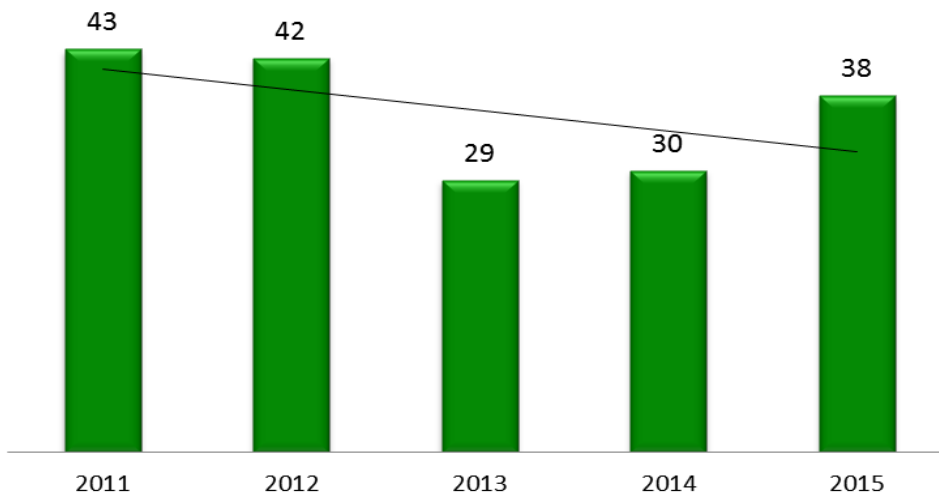


Most subjects of SARs reside locally, in the UK or elsewhere in Europe. This is almost certainly due to the attractiveness of the Bailiwick as a stable economic environment, its close proximity to the UK and Europe and its historical ties with these areas.



SAR STATISTICS - PEPs

SARs received with Politically Exposed Person (PEP) link



Approximately 4% of SARs over the 5 year period showed a link with a Politically Exposed Person

SARs received in 2015 with a PEP link were most likely to be reported by Trust and Company Service Providers

‘Politically Exposed Person (PEP)’¹ means a natural person who is or who has been entrusted with prominent public functions and includes the following:

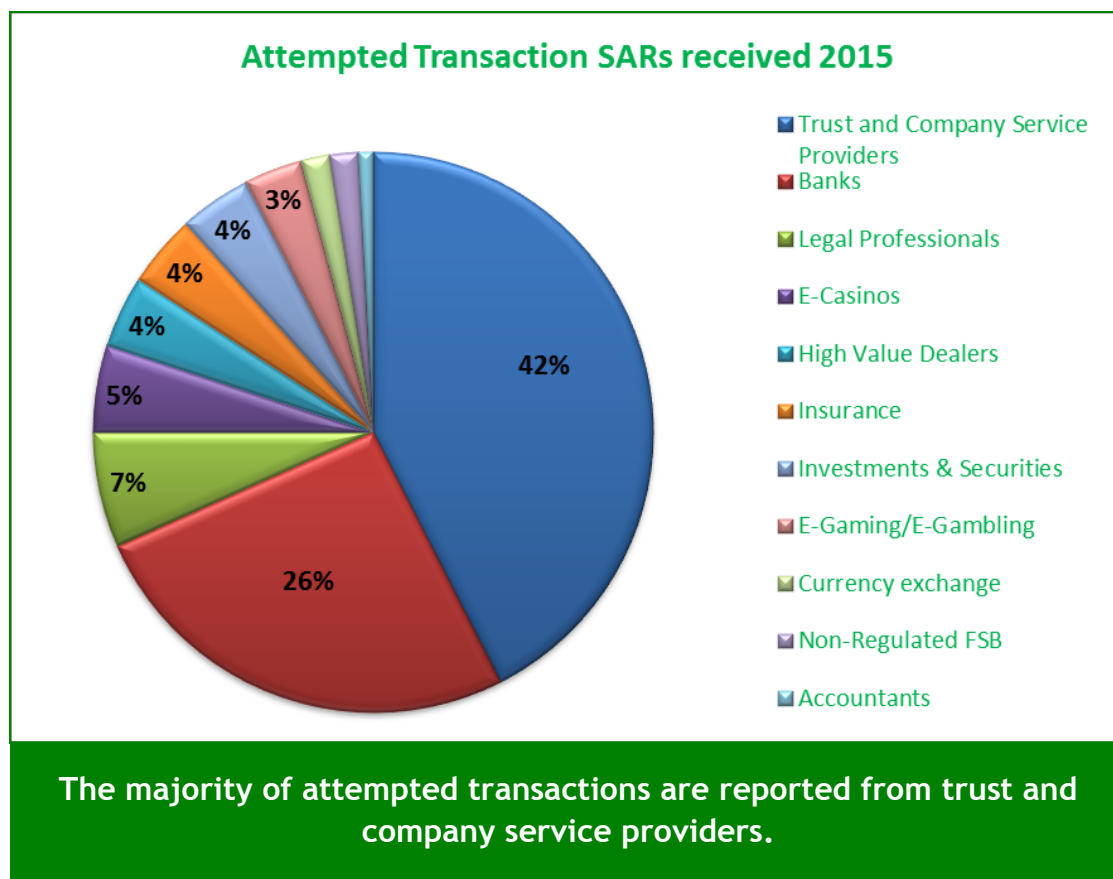
- a) head of State, heads of government, ministers and deputy or assistant ministers;
- b) members of parliament or of similar legislative bodies;
- c) members of the governing bodies of political parties
- d) members of supreme courts or of other high-level judicial bodies, the decisions of which are not subject to further appeal, except in exceptional circumstances;
- e) members of courts or auditors or of the boards of central banks;
- f) ambassadors, charges d’affaires and high-ranking officers in the armed forces;
- g) members of the administrative, management or supervisory bodies of State-owned enterprises;
- h) directors, deputy directors and members of the board or equivalent function of an international organisation.

No public function referred to in points (a) to (h) shall be understood as covering middle-ranking or more junior officials.

¹DIRECTIVE (EU) 2015/849 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC

STATISTICS—ATTEMPTED TRANSACTIONS

Attempted transactions have been recorded since 2013 and in 2015 they comprised approximately 12% of the annual total of SARs received.



The majority of attempted transaction reports were submitted by trust and company service providers, followed by banks. This is attributed to scams, phishing attempts and attempted hacked email accounts within these reporting sectors.

Some examples of cases where attempted transactions have been reported are as follows:

- ◇ Attempts to open account or new business have been declined (e.g. due to adverse due diligence or failed KYC documents).
- ◇ A bank has received an email requesting a transaction for which the email/transaction account details cannot be verified with the client and the email is believed to be fraudulent.
- ◇ A reporting entity has not processed a request to transfer a large amount of funds because the client refused to provide identification requested.
- ◇ An e-gaming/e-gambling reporting entity has refused to accept a deposit because the client refused to provide identification as requested.

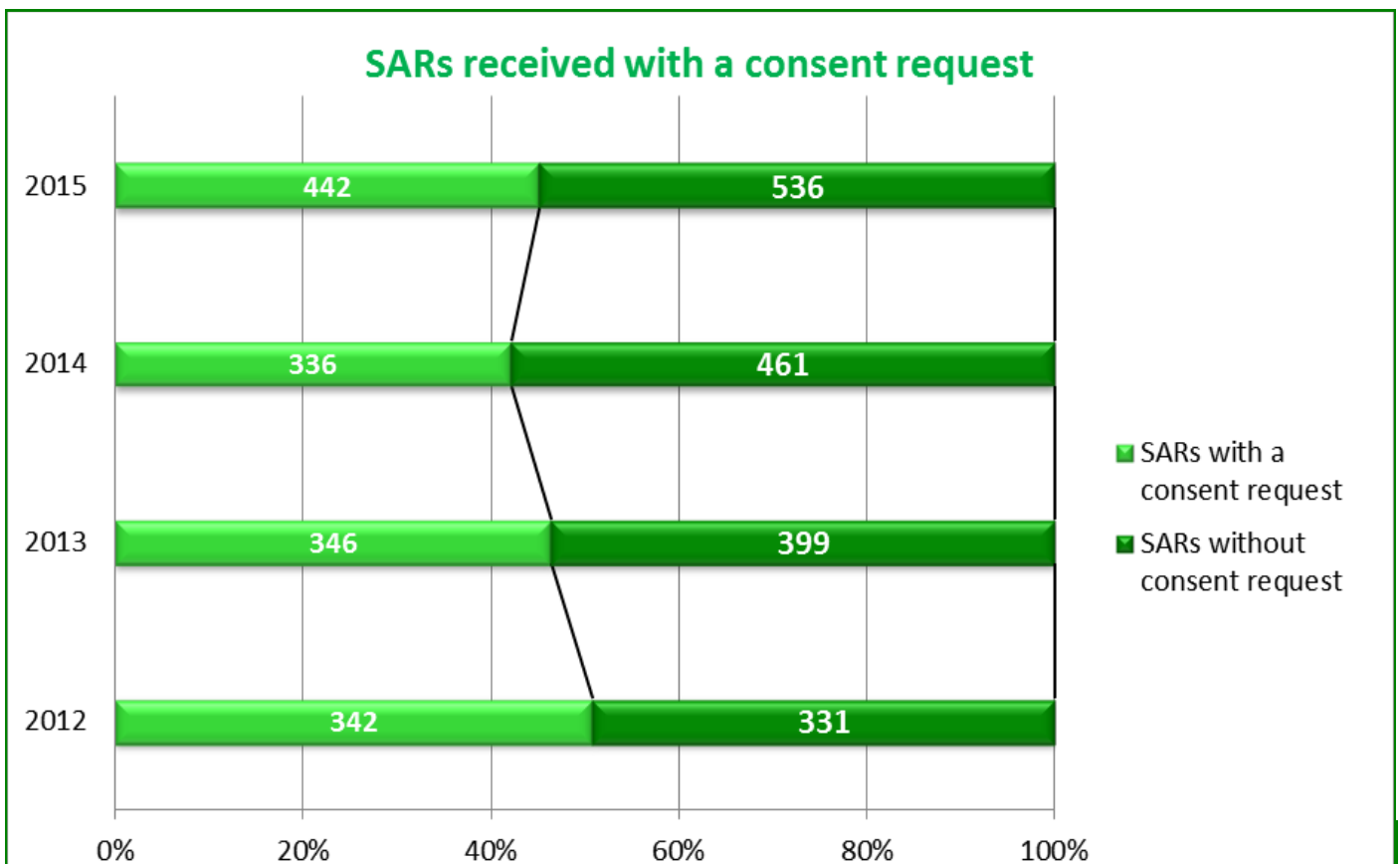
In August 2014, the FIS issued guidance on attempted transactions with case examples ,which can be found on the website www.guernseyfiu.gov.gg

STATISTICS—FIS ACTION & PROVISIONAL MEASURES

FIS ACTION AND PROVISIONAL MEASURES

While there is no express power under Bailiwick legislation for the FIS to postpone transactions, postponement is achieved when the FIS refuses to consent to an act (transaction) following the making of a report of suspicion in respect of it. Because consent from the FIS constitutes a defence to a charge of money laundering in respect of the relevant transaction and as the service provider will not proceed with the activity for fear of committing a money laundering offence, the effect of withholding consent, in practice, prevents the transaction taking place.

In cases where consent is requested and the FIS has been unable to establish a link to criminality, consent is granted.



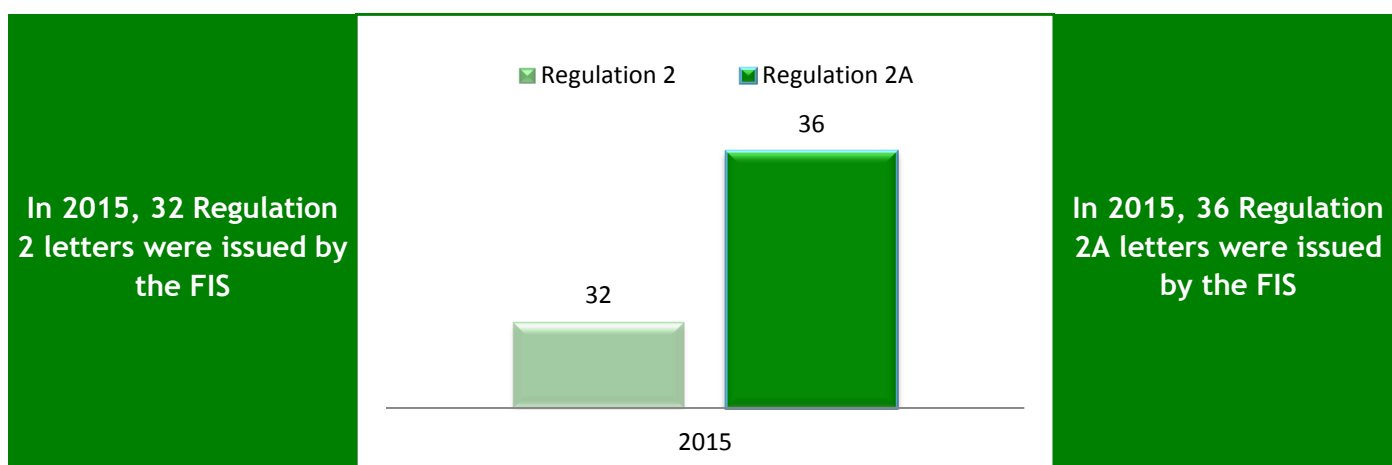
In 2015, 45% of initial SARs received by the FIS included a consent request, and consent was withheld in approximately 3% of these cases (14 cases)

STATISTICS—REGULATION 2 AND REGULATION 2A

REGULATION 2 AND REGULATION 2A

Under Regulation 2 of the Disclosure Regulations and the Terrorism Regulations, the FIS may serve a written notice on a person who has made an SAR, requiring that person to provide such additional information relating to the SAR as may be specified. Ordinarily, the information must be provided within 7 days, but the FIS may extend the 7 day period and may also reduce it to a reasonable lesser period in urgent cases. Failure without reasonable excuse, to comply with a notice in the specified time frame is a criminal offence.

An amendment to widen the information-gathering powers in the Regulations (refer to legislation on page 8), came into force on 7 August 2014 with the introduction of Regulation 2A. Its effect is that if a SAR has been made, the FIS can request information relating to that SAR from a third party, if it is satisfied that there are reasonable grounds to believe that the third party possesses such information, and also that there are reasonable grounds to believe that the information is necessary to the FIS for the proper discharge of its functions.



In 2015, 32 Regulation 2 letters were issued by the FIS relating to 27 cases, and a further 36 Regulation 2A letters were issued relating to 19 cases. The use of both Regulation 2 and Regulation 2A has been crucial to the progress and outcome of several investigations. In the majority of cases, the information obtained has been disseminated as intelligence to overseas authorities, for further investigation within their jurisdiction. In several cases, the information obtained negated the suspicion of the authority seeking the information.

However, in several notable cases, the information obtained pointed to the need for further investigations by the criminal investigation team or other competent authorities; several individuals have been arrested and charged, and matters referred to other local authorities for prosecution as a result of the material made available.

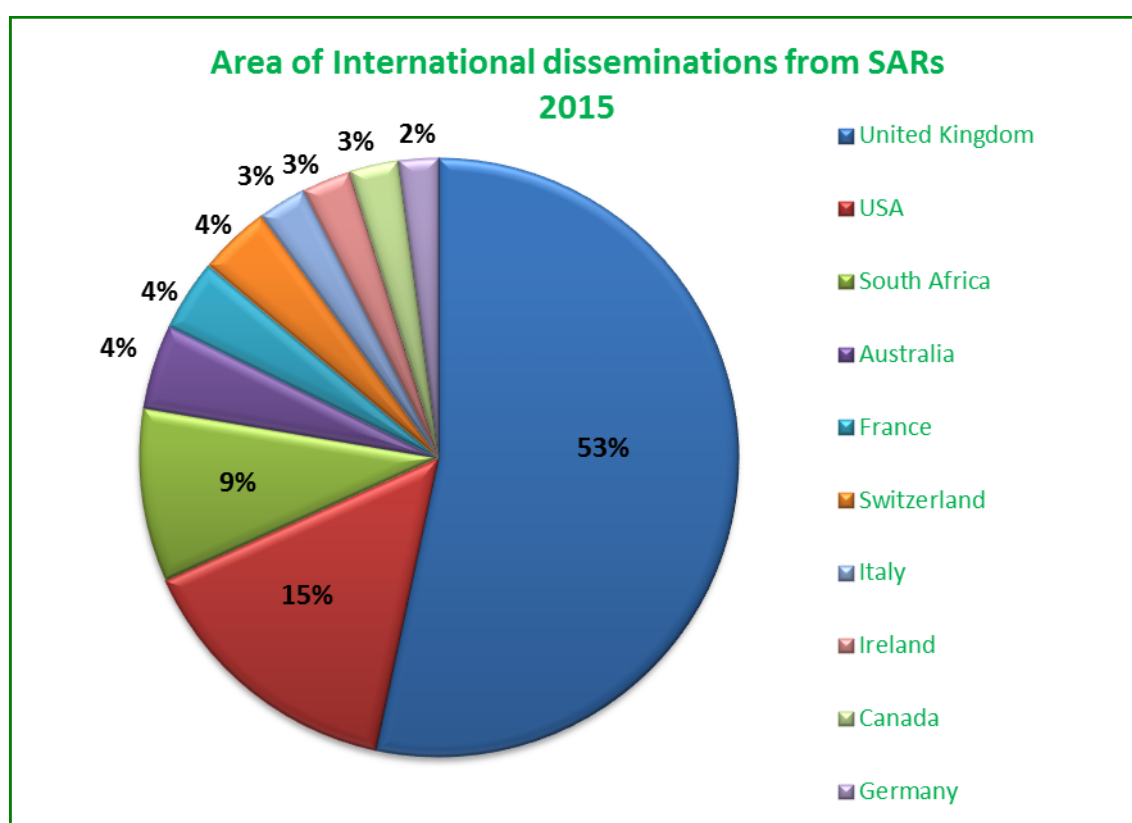
Three local money laundering cases are ongoing as a result of the information provided by the FIS using Regulation 2 and 2A letters. They are an effective power to compel organisations to release the additional material to enable the FIS to conduct further analysis and the onward dissemination of the developed intelligence.

STATISTICS—SAR DISSEMINATIONS

	2011	2012	2013	2014	2015
Total SARs received	1136	673	745	797	978
Local disseminations	126	93	84	90	132
International disseminations	840	390	473	520	539
Total number of disseminations	966	483	557	610	671

Approximately, 70% of all disclosures are disseminated, with more than two thirds of those being international disseminations. This indicates that the SARs refer mainly to activities abroad, which reflects the character and the nature of the financial services businesses in Guernsey. Local disseminations were made to law enforcement and to other authorities.

A total of 671 spontaneous disseminations were made during 2015 to 77 different FIUs or Enforcement agencies. The major area for dissemination was to the UK, 33% of the total disseminations, while local disseminations were 20%. Other significant international disseminations include USA, South Africa, Australia and France.



PARALLEL FINANCIAL INVESTIGATIONS

The FIS undertakes parallel financial investigations alongside other competent authorities.

The FATF defines a financial investigation as ‘an enquiry into the financial affairs related to a criminal activity, with a view to: (i) identifying the extent of criminal networks and/or the scale of criminality; (ii) identifying and tracing the proceeds of crime, terrorist funds or any other assets that are, or may become, subject to confiscation; and (iii) developing evidence which can be used in criminal proceedings.’

The FATF Recommendation 30 describes a parallel financial investigation as ‘conducting a financial investigation alongside, or in the context of, a (traditional) criminal investigation into money laundering, terrorist financing, and/or predicate offence(s).’

This links to Immediate Outcome 7 ‘money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions’ where the characteristics of an effective system are stated as ‘money laundering activities, and in particular major proceed-generating offences, are investigated; offenders are successfully prosecuted; and the courts apply effective, proportionate and dissuasive sanctions to those who are convicted. This includes pursuing parallel financial investigations and cases where the associated predicate offences occur outside the country, and investigating and prosecuting stand-alone money laundering offences.’

In 2015, the FIS disseminated thirteen local cases for further investigation, of which ten related to parallel financial investigations undertaken.

Of these cases, one related to drug trafficking and was referred for prosecution, where the accused has since absconded. Another resulted in a conviction for drug trafficking and a confiscation order for £5,000 being made. A further three parallel financial investigations are ongoing.

INTERNATIONAL COOPERATION

The FIS exchanges information freely, spontaneously and upon request with foreign FIUs, regardless of their status. Guernsey does not require a Memorandum of Understanding in order to exchange information, which can be achieved through its existing legal framework. It will nevertheless enter into agreements if required by other jurisdictions or organisations, and has currently signed MOUs with 30 different parties.

The FIS has been a member of the Egmont Group of Financial Intelligence Units for many years. This group is the worldwide gathering of national financial intelligence units, currently with a membership of about 150. It governs and promotes mutual exchange of information at the international level and plays an important role in combatting money laundering and terrorist financing.

In practice, information exchange within the framework of membership of the Egmont Group occurs via secure and encrypted data exchange channels. Provided that requests from abroad meet the minimum requirements set out in the Egmont Group Principles for Information Exchange, the FIU may exchange available information with foreign partner authorities.

The FIS received positive and high praise from the Israeli FIU for the quality and speed of the cooperation they received in 2015. This related to a bribery and corruption case with which the FIS had been assisting the Georgian authorities.

Subsequently, the FIS sent Israel an intelligence report and put them in contact with Georgian authorities.

The FIS disseminated intelligence to the UK Financial Conduct Authority (FCA) in relation to abnormal deposits and betting patterns through an individual's e-gaming account, which was suspected to be money laundering. The FIS was able to act as a conduit for information between the disclosing entity and the FCA.

As a result, formal restraint orders have been issued in relation to funds held in the gaming account, and the subject has been arrested and interviewed in relation to a number of investment scams.

The exchanged information may be used for intelligence purposes only. The information may be forwarded to law enforcement authorities only with the express consent of the FIU. If the information should turn out to be useful and necessary evidence for the investigating law enforcement authorities in the context of initiated criminal proceedings, those law enforcement authorities must request disclosure of the information by way of a regular request for mutual legal assistance. This ensures that mutual legal assistance in criminal matters is never circumvented, and the applicable procedural rights are safeguarded at all times.

The FIS received a total of 185 requests for assistance in 2015 from Egmont, CARIN and other international sources.

INTERNATIONAL COOPERATION—EGMONT GROUP

The FIS is a member of the Egmont Group. In 1995, a group of FIUs decided to establish an informal group for the stimulation of international cooperation. Now known as the Egmont Group of Financial Intelligence Units, these FIUs meet regularly to find ways to cooperate, especially in the areas of information exchange, training and the sharing of expertise.

The goal of the Egmont Group is to provide a forum for FIUs from around the world to improve cooperation in the fight against money laundering and financing of terrorism and to foster the implementation of domestic programs in this field.

As a member of the Egmont Group, the FIU is able to send requests for information to other member jurisdictions by the Egmont Secure Web (ESW) secure email network and also receive requests from other Egmont Group members.

In 2015, the FIS received 24
Egmont Requests for Information

A group photograph from an Egmont Global Strategic Analysis Course held in Paris, which was attended by a member of the FIS staff

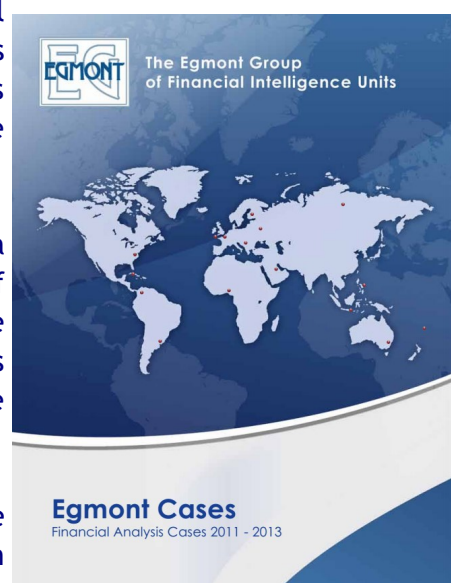


BEST EGMONT CASE AWARDS

In 2015, the FIS featured in the Egmont Group of Financial Intelligence Units publication 'Egmont Cases- Financial Analysis Cases 2011-2013'. The publication comprises of case studies and indicators from various Egmont member FIUs which have been nominated for the 'Best Egmont Case Award (BECA)'.

The BECAs are held annually as part of the Egmont Plenary and form a competition between FIUs to present their 'best case'. A panel of judges determine the finalists, who then present their case to the plenary and the Heads of FIUs decide the winning case. This allows the Egmont Training Working Group (TWG) to identify and publish the cases as 'real life' examples of money laundering and financial crime.

Guernsey has been involved with BECA since it was introduced by the TWG in 2011. The Head of the Guernsey FIU, Phil Hunkin, assisted in the development of, and acted in the role of, the BECA champion.



Two local cases feature within this publication which is available to view on the Egmont website—
<http://www.egmontgroup.org/library/cases>

INTERNATIONAL COOPERATION—MEMORANDUM OF UNDERSTANDING (MOU)

The FIS does not require a Memorandum Of Understanding to disseminate intelligence but is prepared to enter into such agreements where an operational need for the requesting FIU exists.

In addition to the mutual legal assistance regime operated by the Law Officers, the Bailiwick has in place a wide range of measures to facilitate various forms of international cooperation by other authorities. Except for the reference to the provision of assistance pursuant to international agreements in the Income Tax Law the legal framework does not require reciprocity or MOU'S before assistance can be provided. However, the practice is to sign MOUs if they are required by a requesting state or an international instrument.

The FIS is able to provide assistance to other jurisdictions under the the Disclosure (Bailiwick of Guernsey) Law, 2007 and the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999.

In 2015, the FIS signed two MOUs with Taiwan and France.

In total, the FIS has signed 31 MOUs with authorities ranging from the Guernsey Financial Services Commission (GFSC) to the Israel Money Laundering Prohibition Authority (IMPA).



INTERNATIONAL COOPERATION—CARIN

In 2015, Guernsey hosted the CARIN (the Camden Asset Recovery Inter-agency Network) Presidency.

CARIN is a network of judicial and law enforcement expert practitioners in the field of asset identification, seizure and confiscation. There are currently 54 countries and jurisdictions and nine international organisations that are members of the network. All EU countries are represented in CARIN, together with non-EU jurisdictions such as the United States of America, South Africa, Australia, Canada, Russia and Switzerland, as well as Guernsey. Europol, Eurojust, OLAF, the UNODC, and the International Criminal Court are also CARIN Members. CARIN is now recognised globally as an effective tool to fight international crime.

In October 2015, Europol - in its function as the permanent secretariat of CARIN - coordinated the annual CARIN meeting.

The 2015 CARIN event was hosted by the current CARIN Presidency of Guernsey. Guernsey is a long-standing and active member of CARIN, a member of the Steering Committee for over five years, and a jurisdiction that meets the highest international standards in fighting financial crime and cross-border cooperation.



Around 150 law enforcement and judicial practitioners from over 60 jurisdictions travelled to Guernsey for the CARIN Annual General Meeting to discuss and share knowledge on ways of improving cross-border identification, freezing, seizure and confiscation of illicitly acquired assets, including the creation and delivery of a new website, <http://carin-network.org/>

The event further enhanced Guernsey's position in the top tier of jurisdictions committed to asset recovery.

At their annual meeting CARIN discussed “The Global Identification of Assets and their Recovery in International Financial Centres”. CARIN members concluded a number of outcomes and recommendations in relation to:

- ◇ Progressing asset recovery using Joint Investigation Teams (JITs) and parallel investigations.
- ◇ The practical aspects of investigating ‘beneficial ownership’ issues for the purpose of asset identification, freezing, seizure and confiscation.

SAR TYPOLOGIES

TYPOLGY 1

A bank reported a suspicion of money laundering after they became aware that their client was involved in a legal dispute and was utilising their savings to pursue this. At this time, the client was receiving funds from another individual. The individual who was sending the funds to their client triggered a sanctions alert due to a partial name match, which was later discounted. A review of the clients account was undertaken after the bank were informed that the client would be receiving a large amount of funds as a 'gift'. Over a 2 year period, the client had received a large amount of money from the individual, but in round numbers of amounts less than £10,000.

The bank learned that the client was applying for a fiduciary license, which gave rise to a further suspicion of corruption due to the receipt of funds by the client.

Regulation 2A letters were served by the FIS on other institutions named within the report.

Contact was made with another competent authority to establish if they had dealings with the subjects and to request any relevant information that they held.

From the information gained as a result of the Regulation 2As issued, and communication with the competent authority, suspicion was negated.

TYPOLGY 2

An e-gaming entity reported a suspicion of fraud. The customer had provided full eKYC documents and had passed the verification to set up an account. After setup, the account activity became suspicious when in a short space of time, further payment cards were added. These cards were not all in the clients name, and one appeared to be 'photoshopped'. The account had a significant amount of failed deposits, which often indicates fraudulent card use. The customers account has since been closed and winnings withheld.

TYPOLGY 3

An e-gaming entity reported a suspicion of fraud. The player registered an account and deposited a few hundred pounds into the account. Two days later, a request for withdrawal was made for over £15,000. Checks were conducted when the withdrawal was being processed which revealed over 1,500 failed deposits. The KYC was reviewed and led to a suspicion that the account holder was not in possession of the KYC documents due to mobile phone screen shots being provided of documents.

The user had contacted customer support and had struggled to provide the answers to the questions asked. Another person was heard in the background of the call providing the requested details. The accent of the person who had called did not match the expected accent of the person on the photo ID provided as KYC. The reporting institution searched for duplicate accounts, of which none were found. However, the IP address matched 4 other accounts, all accounts had similar activity patterns and the IP used on one of these accounts linked to further accounts with the same activity patterns.

A check was conducted on the card and the details did not match those of the issuing bank.

The institution requested that the client provide documents that were co-signed by a solicitor. The customer has not been in contact since and the account has been closed.

SAR TYPOLOGIES

TYPOLOGY 4

The FIS received a disclosure regarding a local insurance intermediary. It was alleged that a director who was also a trustee of a Retirement Annuity Trust Scheme (RATS) had misappropriated a significant sum from a RATS. It became apparent that the director had admitted to clients that he had taken funds without their consent but promised to repay them.

A review was undertaken which identified that a payment had been made to the trustee which had not been repaid. The client was unaware that funds had been stolen from their RATS.

Enquiries were made by the FIS with local financial institutions by serving Regulation 2 and Regulation 2A letters. As a result of these enquiries, SARs were submitted by local financial institutions.

Analysis of all the information received was undertaken by the FIS, and intelligence disseminated to the Financial Criminal Team for investigation. The intelligence was also shared with the Guernsey Financial Services Commission. This case was investigated by the Financial Criminal Team and forwarded to the Law Officers for prosecution.

TYPOLGY—OPERATION HURRICANE

TYPOLGY 5

In August 2011, the FIS became aware that a Guernsey-resident individual (Person A) was a target of a money laundering investigation being conducted in the USA by the Internal Revenue Service (IRS). Additionally, the Federal Bureau of Investigation (FBI) were undertaking a fraud and money laundering investigation into an individual (Person B) who was operating a 'boiler room' fraud, for which Person A was providing nominee directors for the shell companies used in the fraud.

Person B was charged with a number of fraud and money laundering offences and in 2012 was sentenced to 20 years imprisonment. During their investigation, the FBI identified that funds had moved through an account that Person A's company held in another jurisdiction. Person A was the sole registered director of the company, and Person A's partner (Person C) was the secretary.

Information exchange took place with various jurisdictions in relation to the worldwide activities of Person A and Person B. One request received linked Person C as a Director of companies that were linked to a Serious Organised Crime Group. All of the content within the information received by the FIS indicated that Person A and Person C were connected to organised crime groups via the 'business facilities' they provided, including being listed as nominee directors for companies used by international criminals to launder the proceeds of their crime.

Operation Hurricane was instigated, with a focus on investigating both Person A and Person C for tax evasion, money laundering and offences contrary to the Regulation of Fiduciaries, Administration Business and Company Directors, etc. (Bailiwick of Guernsey), Law 2000 (the Fiduciaries Law).

The FIS conducted enquiries with relevant local financial institutions and received a number of SARs regarding Person A and Person C. Additional information was provided for these SARs which allowed a significant amount of analysis to be undertaken of bank account information, company formation documents, CDD and information held by other government departments and regulators.

The FIS also sent overseas requests via Egmont and the CARIN Network to request information regarding the investigation.

The FIS disseminated financial intelligence to the UKFIU with regards to the suspected activities of Person A and their involvement in criminal activity. As a result, the Kent and Essex Serious Crime Directorate initiated their own money laundering investigation, running parallel to the Guernsey investigation.

It was believed that Person A and Person C predominantly resided between properties that they owned in the Channel Islands, however, investigations established that Person A was promoting themselves as a Corporate Service Provider based in the UK. In order to do this, Person A required possession of a Fiduciary License as granted by the regulator, which neither Person A or Person C possessed. Person A had applied for a license previously, but had been refused due to previous failings. Cooperative working and information exchange identified that as of September 2012, Person A and Person C were associated to at least 300 companies globally. Surveillance identified that Person A was undertaking business activities within the Bailiwick.

TYPOLOGY—OPERATION HURRICANE

TYPOLOGY 5 (CONTINUED)

Prior to executive action being taken, Production Orders were obtained in the UK and Guernsey, which identified that over a 4 year period, Person A had received a significant value of funds from a bank account held in Latvia.

Search warrants were executed at properties in the Channel Islands and in the UK, and Person A and Person C were arrested and interviewed under caution. At that stage the only charge that was put against the couple was one against Person A, for conducting regulated activities within the Bailiwick of Guernsey without holding a fiduciary licence, contrary to the Fiduciaries Law. The couple were released on bail pending analysis of a significant amount of documentation and computer material.

Three days later it was identified that since their release from custody the couple had disposed of a significant quantity of relevant material which had not been uplifted during the search undertaken at their Guernsey property. They were further arrested, interviewed under caution and both charged with attempting to pervert the course of justice. Person A was subsequently remanded in custody.

Following an initial analysis of the material uplifted, it very quickly became apparent that Person A and Person C were operating their company on an international scale, with companies and bank accounts situated across the globe. International cooperation and exchange of information was going to be vital in bringing any potential money laundering charges against the couple.

Analysis identified that the staff who worked within the UK office acted purely on instructions fed to them by Person A and Person C who were, the majority of the time, based at their premises in the Channel Islands. Witness statements taken from the staff established that they had been instructed to hold no data on the systems within the UK office, but to ensure that everything was uploaded onto the company's secure off-site web server which was located in Holland. A letter of request was submitted to the competent authorities in Holland, for all electronic data on any server leased to the company be secured. This was duly actioned and the data was securely transmitted to Guernsey for analysis.

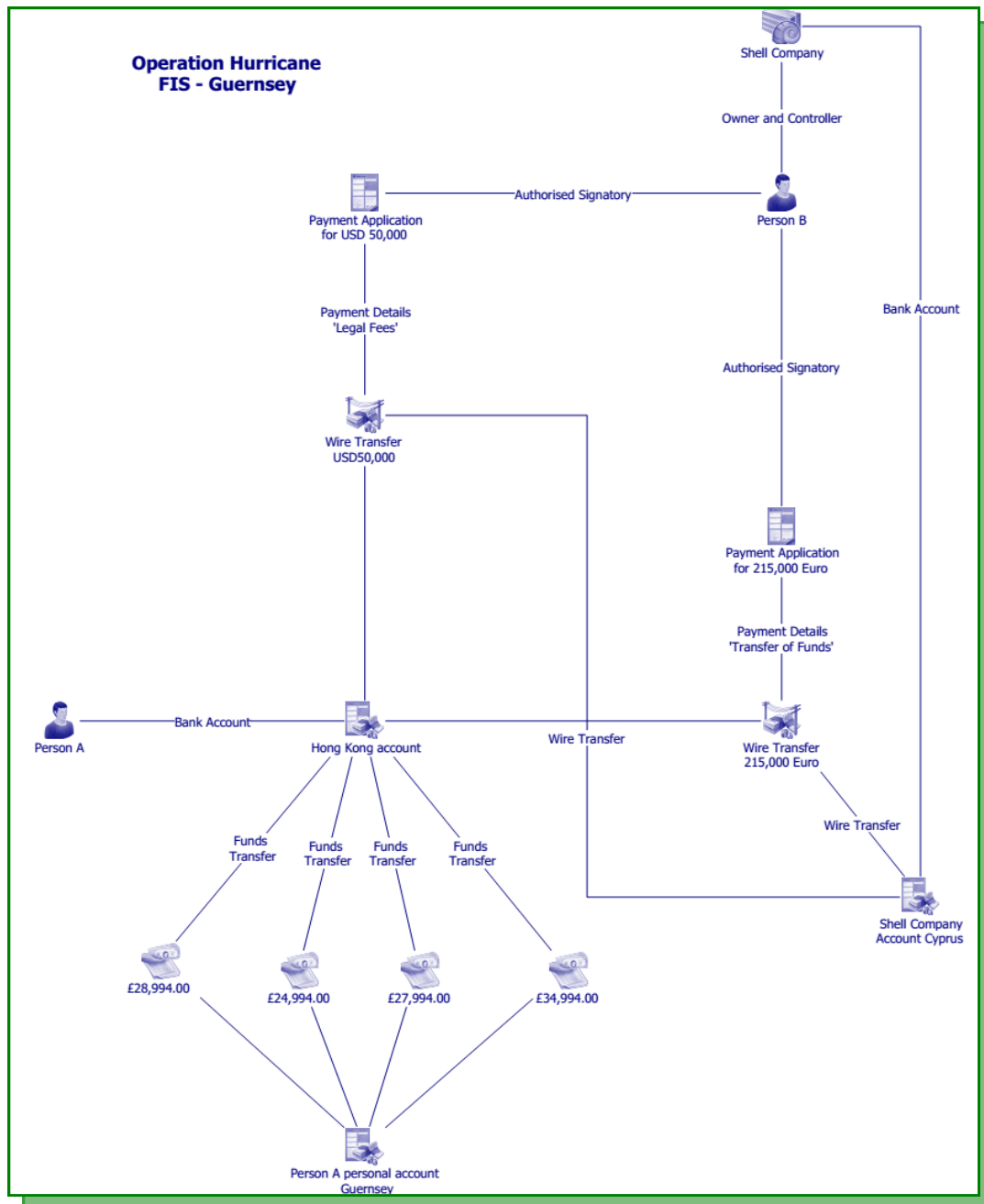
Analysis identified that Person A had close personal and business links with Person B, which became the focus of the money laundering investigation. Two payments were identified that were made into Person A's company account, which was based in Hong Kong, from a bank account in Cyprus, which was an account controlled by Person B. These transfers occurred around the time that Person B was arrested for fraud offences in the USA.

In order for analysis to be undertaken in relation to the role Person A had played in laundering the funds of Person B, all identified international accounts for Person A, Person B, Person C and the company had to be obtained to evidence the flow of funds. Bank accounts were identified in the UK, Latvia, Cyprus and Hong Kong. Letters of request were sent to the appropriate authorities in all of these countries, requesting the relevant account statements and documents. All requests were duly actioned by the authorities and full cooperation from all jurisdictions ensured evidence was promptly and securely transmitted to Guernsey.

Two more requests were sent to the USA and the UK, where again Guernsey received full cooperation.

TYPOLOGY—OPERATION HURRICANE

TYPOLOGY 5 (CONTINUED)



As part of the case against Person A and Person C, the Prosecution had to provide evidence of the case against Person B to the Royal Court of Guernsey and therefore submitted a number of letters of request to the relevant authorities in the USA in order to obtain the evidence used in the case against him. The FBI provided witness statements and documents in evidence for the case against Person A and Person C.

Following extensive analysis of in excess of one million documents, Person A was charged with three sole counts of money laundering, and Person A and Person C were charged with four joint counts. All of the money laundering charges put against the couple related to laundering the proceeds of Person B's crimes.

TYPOLOGY—OPERATION HURRICANE

TYPOLOGY 5 (CONTINUED)

The trial was the longest Guernsey's Royal Court had encountered, lasting 30 days. Evidence was put before the court from witnesses from Cyprus, Latvia, Hong Kong, the UK and the USA. An agent from the FBI travelled to Guernsey to give live evidence in court and spent two days on the stand. Further, a forensic accountant from the UK, who had spent extensive time analysing the accounts received for Person A, Person B and Person C, also spent two days on stand.

In addition to Person A and Person C being found guilty of money laundering offences, the couple were also found guilty of conducting regulated activities within the Bailiwick of Guernsey without holding a fiduciary licence, contrary to the Fiduciaries Law, and had both already pleaded guilty to attempting to pervert the course of justice. Person A is currently serving a seven year six month prison sentence and Person C is serving a three year six month sentence.

Confiscation work was actioned in order to identify Person A and Person C's benefit and confiscation orders were initiated. This work is still ongoing.

INDICATORS RELEVANT TO THIS CASE

- ⇒ Use of shell companies
- ⇒ Use of nominee directors
- ⇒ Companies registered in high risk areas
- ⇒ Use of false / fabricated documents
- ⇒ Close relationship with convicted persons or those of interest to the authorities
- ⇒ Significant funds regularly transferred into personal bank account with an affluent lifestyle
- ⇒ Non-compliance with the Regulator
- ⇒ Organised crime group

CROSS BORDER TRANSPORTATION OF CURRENCY AND BEARER NEGOTIABLE INSTRUMENTS

All cross border transportation of currency must be reported, irrespective of suspicion. This is because the Cash Controls Law prohibits the carrying of cash, in excess of €10,000, into or out of the Bailiwick unless it has been declared.

Cash is defined for the purposes of the Cash Controls Law as -

- a) Bearer negotiable instruments including monetary instruments in bearer form, such as travellers' cheques, negotiable instruments (including cheques, promissory notes and money orders) that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title thereto passes upon delivery, incomplete instruments (including cheques, promissory notes and money orders) signed, but with the payee's name omitted; and
- b) Banknotes, bullion (which includes gold, silver palladium and platinum bullion whether pure or impure) ingots and coins (whether or not in circulation as a medium of exchange).

The 2014/2015 figures identify a significant decrease in the import/export value of cash. Analysis has identified one major Guernsey business significantly accounts for the vast majority of these figures. This decrease can be attributed to a change in their procedures of the import/export of bullion which took place in 2014. This change meant that there is no physical movement of the bullion only a physical transaction of payment, whilst prior to 2014, bullion would of been exported to the manufacturer on sale and imported on purchase.

Value of Import Declarations made under the Cash Controls Law



Value of Export Declarations made under the Cash Controls Law



CROSS BORDER TRANSPORTATION OF CURRENCY AND BEARER NEGOTIABLE INSTRUMENTS

During 2015, two cases of suspicious cross border activity involving the travel of passengers were prosecuted:

CASE 1

Following the dissemination of intelligence received by the FIS, a German national was stopped prior to boarding the Condor ferry by Border Officers. During the search 98kgs of silver bullion was discovered concealed within the vehicle. He pleaded guilty to the attempt of carrying cash namely silver bullion, in excess of the specified limit without completing a cash control declaration, and was fined £5,000.

CASE 2

Following intelligence received by the FIS, Border Officers working at the airport challenged a male in the departure lounge prior to boarding a flight to Gatwick. He declared that he was holding an amount of cash believed to be about £5,000. A search of his personal baggage resulted in the discovery of £10,620 and 691 Singapore dollars which he was attempting to carry out of Guernsey without completing a declaration. He pleaded guilty to the attempt of carrying cash in excess of the specified limit without completing a cash control declaration, and was fined £4,000.

In 2015, the FIS processed 116 Cash Declaration forms

Are you carrying

€10,000 or more

or the equivalent amount in another currency?

Under Bailiwick of Guernsey Law, if you are carrying 10,000(1) Euros or more, or the equivalent amount in another currency, and are travelling directly to or from the Bailiwick of Guernsey(2), you must complete a cash declaration form at Customs(3).



(1) "Cash" not only means currency notes and coins but also bankers' drafts and cheques of any kind (including travellers' cheques). It also means postage stamps, banknotes, bullion (which includes gold, silver, palladium and platinum, whether pure or impure) ingots and coins;

(2) The Bailiwick of Guernsey means the Islands of Guernsey, Alderney, Sark, Herm and Jethou

(3) For the purposes of this declaration



Guernsey Border Agency

Cash in Controls (Bailiwick of Guernsey) Law, 2007 - www.guernseylegalresources.gg

Total number of declarations and method of import and export of Cash from the Bailiwick

2011-2015

	Total Declarations	Import	Export	Air Travel	Sea Port
2011	249	170	79	162	87
2012	226	139	87	138	88
2013	211	133	78	131	80
2014	120	65	55	71	49
2015	116	62	54	71	45

Bailiwick of Guernsey Financial Intelligence Service Annual Report 2015



**BAILIWICK OF GUERNSEY
LAW ENFORCEMENT**