

Financial Intelligence Service  
Bailiwick of Guernsey

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Annual Report 2006





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## Message from the Director

I am delighted to commend to you the 5th Annual Report of the Guernsey Financial Intelligence Service (FIS).

During 2006, the FIS has continued to play a key role within the Bailiwick's Law Enforcement Financial Crime Strategy, which encompasses the operational activity of the Commercial Fraud Departments of Police and Customs, as well as the Law Officers of the Crown and the Guernsey Financial Services Commission at both strategic and tactical levels, thereby ensuring the most effective use of the Bailiwick's resources.

The strategic aims of the FIS have remained clearly focused on the provision of quality criminal intelligence with regard to all crime, with a particular emphasis on money laundering, countering the financing of terrorism and the provision of full international co-operation to competent overseas authorities. This overarching strategy was further enhanced during 2006 by the introduction of the FIS Business Plan, which focused on the actions of the department and individual staff, and will be taken forward to form the basis of further activities in 2007.

Since the FIS was formed in 2001 through to 2004, the number of suspicious transaction reports received steadily increased, due in part to world events such as the 9/11 terrorist attacks, but also due to Financial Services Businesses becoming increasingly aware of their obligations and conducting retrospective reviews of their clients. In contrast, during the last 2 years the number of reports has notably reduced. It is suspected that this change has occurred due to the completion of such reviews, combined with the industry's increasing experience and skill in terms of managing clients and their associated risks.

In contrast, the number of requests for assistance and exchanges of information has increased to 467, with 52% emanating from overseas jurisdictions, thereby further reflecting the significant international remit of the FIS' work and our commitment to international co-operation.

On a further international perspective, the FIS has continued to play an active role within the Egmont Group of FIUs and is currently overseeing the sanitised cases project within the Training Working Group, which will provide a training resource for member FIUs and related bodies. This project has been further enhanced by the introduction of a database which will facilitate searches for cases with specific indicators or searchable factors. A case studies database has also been introduced in order to provide a further resource for local training initiatives and this will be further developed over time.

Within a local context, the FIS has continued to work in partnership with the Guernsey Training Agency, the Guernsey Financial Services

Commission, Police and Customs Services to provide training opportunities for staff within the financial service sectors. In addition, 2006 saw the introduction of two additional feedback initiatives; firstly, a 'Focus Group' with representatives from the financial services industry with the aim of discussing issues of mutual interest, some of which have been developed to form the basis of wider, industry based presentations; and secondly, the feedback project, which has led to FIS personnel reviewing reports received in a stipulated 12 month period and providing written feedback on a case by case basis. A secondary benefit of this project has been the identification of further lines of enquiry and additional open source information. The impact of this project will be evaluated with a view to being repeated on an annual basis.

2006 also saw considerable effort being placed into the training and development of staff through a variety of initiatives including attendance at conferences and seminars, local and UK based training courses, informal sessions with local stakeholders and secondments to foreign FIUs, to whom we are most appreciative.

Looking forward, it is anticipated that 2007 will see further developments within the working practices of the FIS, firstly in light of on-going IT developments in conjunction with local law enforcement partners and financial services businesses and secondly as a consequence of the more focused Business Plan. A number of criminal and industry related legislative developments are imminent, including the implementation of a civil forfeiture regime which will undoubtedly impact on the Service and the manner in which it operates. Aside of these challenges, the main priority will continue to be the provision of quality criminal intelligence.

None of the achievements of the past year, or indeed our future aims would be possible without the dedication, enthusiasm and commitment of the personnel within the Financial Intelligence Service and the coordination of effort from our various stakeholders, to whom I am also most appreciative. It is only through such coordination that the Bailiwick authorities can face the challenges ahead and continue to detect and deter those who seek to abuse the Bailiwick's financial services.

Antonia Bligh  
Director

## 1. Introduction

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### 1.1 The Bailiwick of Guernsey

The Bailiwick of Guernsey comprises the principal islands of Guernsey, Alderney, Sark, and Herm. The islands form part of the British Isles, but politically they are not part of the United Kingdom - the Crown has devolved most matters of government to the Bailiwick, apart from such areas as defence and foreign affairs. The system of government that exists in the islands has resulted in a comparatively stable economic environment, and this in turn has encouraged the development of the financial services industry.

The remarkable growth of the finance sector in the Bailiwick has raised the profile of the islands on the global finance scene. Matching this increase has been the resolve of the Bailiwick's government to combat the potential for money laundering that such expansion brings. Financial services regulators and law enforcement agencies have sought to develop strategies and policies that will be effective in preventing and detecting money laundering in the islands, through legislative and procedural measures.

### 1.2 Government Policy

Each year Guernsey's government, The States of Deliberation, publishes a policy and resource plan in order to set out the strategic objectives and common corporate policies and to facilitate the most appropriate allocation and management of government resources to implement these policies. Following the establishment of the new machinery of government, the need to constrain Government expenditure and attain best value out of public resources has been high on the political agenda.

The States of Guernsey Policy & Resource Planning Report 2006 reflected the Home Departments Corporate Policy on Law and Order to reduce serious and organised crime, particularly money laundering and financial crime. This clearly demonstrates the priority that the Bailiwick government places on its international responsibilities to prevent money laundering and to counter the financing of terrorism.

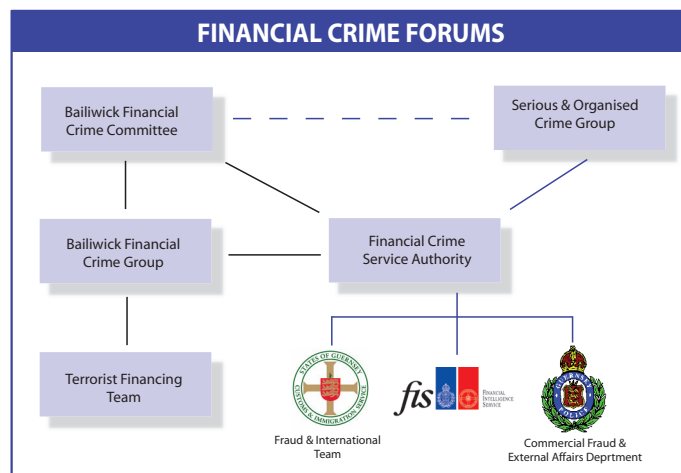
Further information and a full copy of the report can be found at [www.gov.gg](http://www.gov.gg).

### 1.3 Financial Crime Strategy

Within the Bailiwick, a number of forums exist to ensure that relevant stakeholders within the AML/CFT regime meet regularly at both a strategic and tactical level. These forums encompass law enforcement, the Regulator, Law Officers of the Crown and representatives from the finance industry. The following chart, outlines the various groups which encompass law enforcement representatives and how they are structured in order to ensure a cohesive and co-ordinated approach to financial crime issues.

The law enforcement agencies of Police and Customs have over the years developed a strong partnership in relation to law enforcement, with particular success in the arena of financial crime, where for many years the two services have combined resources. Central to this, is the Financial Crime Service Authority which consists of senior managers from both services and is designed to reflect the ethos of partnership working. In addition to overseeing the work of the FIS, through the Financial Crime Strategy, the Service Authority also co-ordinates the operational activities of the Police and Customs with regard to financial crime.

During 2006, the Financial Crime Strategy was subject of an interim review to ensure its continued relevance pending a formal review of its effectiveness in 2007.



### 1.4 The Financial Intelligence Service

In April 2001, the Bailiwick of Guernsey formally launched the Financial Intelligence Service (FIS), which stands alone as far as is feasible from either of its parent organisations, whilst remaining within both Police and Customs responsibilities.

The Financial Crime Review established the strategic aims of the FIS, which are;

- the provision of quality intelligence with regard to all financial crime, with a special emphasis on combating money laundering and countering the financing of terrorism,
- the provision of full international co-operation, within the law, to competent and relevant overseas authorities, and
- the provision of services to enhance the co-ordination and the development of criminal intelligence to combat financial crime.

The FIS mission statement is to:

- obtain, develop and disseminate financial intelligence, in association with other agencies, in order to combat crime and terrorist financing, both locally and internationally.

Headed by a Director, whose position is independent of Police and Customs, the FIS is staffed equally by each parent organisation. Following a resource review in 2002 approval was given for an FIS complement of two Senior Intelligence Officers, four Intelligence Officers, a Financial Analyst, an Office Manager and an Administrative Assistant. As at December 2006 two Intelligence Officer vacancies remained.

At the beginning of 2006 a revised set of objectives for the FIS was implemented by the Financial Crime Service Authority, to give operational direction to the team in line with the overall mission statement namely:

- To provide Guernsey Police and Customs & Immigration Services with quality financial intelligence relating to all crime, taking into consideration their strategic objectives.
- To achieve a high level of compliance with relevant international standards expected of financial intelligence units.
- To actively identify, promote and support the investigation of money laundering offences by local law enforcement teams
- To enhance the professional relationship between the financial services industry and the FIS
- To actively promote awareness of money laundering vulnerabilities within non financial services businesses.
- To develop the knowledge and expertise of FIS staff in order to provide effective administration, analysis and investigation of financial intelligence relating to crime and terrorist financing.

These objectives placed the overall aims of the Bailiwick Financial Crime Strategy into an operational context. In order to assess how the FIS performed against these objectives, several indicators were produced, which the team used to evaluate its performance, thus ensuring that the unit's activities supported the Bailiwick's financial crime strategy.

At the end of the year, an assessment was made of the unit's progress against the objectives, the results of which were reported to the Service Authority. Significant progress had been made in achieving the stated aims, which included;

- a full review of all relevant international standards applying to FIUs, with an initial self-evaluation of the unit's compliance with those standards;
- practical steps taken to promote and support the investigation of money laundering offences by local law enforcement teams;
- support given to industry through feedback presentations covering legal and practical issues identified by the unit from the money laundering disclosures it receives; and
- professional development training provided to staff during the year to ensure that the unit has the skills and expertise it needs to fulfil its obligations.

The objectives and performance indicators were duly reviewed and adjusted where appropriate in light of the progress made during the year, resulting in an updated set of objectives for the unit to take forward to achieve its strategic and operational goals during the coming year.



## 2. Terrorism

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Disclosures to the FIS of terrorist financing suspicion have remained low during 2006 with a total of 5 reports. These were largely based on the similarity of client names with those posted on international warning lists, with little way of confirming whether or not the two subjects are the same person.

The Bailiwick continues to monitor developments in terrorist financing, with the Terrorist Finance Team meeting regularly to consider local reports, international developments and current threats or trends.

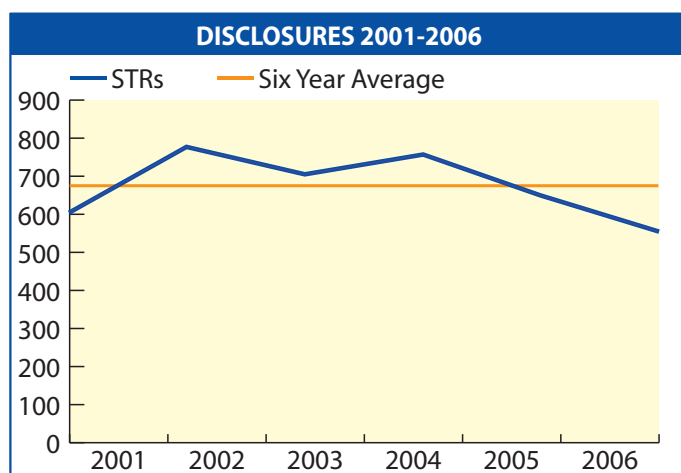
During the latter part of the year the FIS was invited to participate in meetings of terrorist finance investigators held at a regional level within the UK, which proved to be very useful in building on relationships already formed with the UK National Terrorist Finance Investigation Unit. It is anticipated that this forum will continue to meet regularly and will assist in developing relevant intelligence and disseminating it to the most appropriate teams.

### 3. Money Laundering Reports



#### 3.1 Disclosure Analysis

Statistics for the year 2006 do not represent a complete analysis of all disclosures made during the year, as a proportion are still being investigated and there is a natural overlap between the end of one year and the start of the next. They do, however, give a reliable illustration of trends and developments seen during the period.

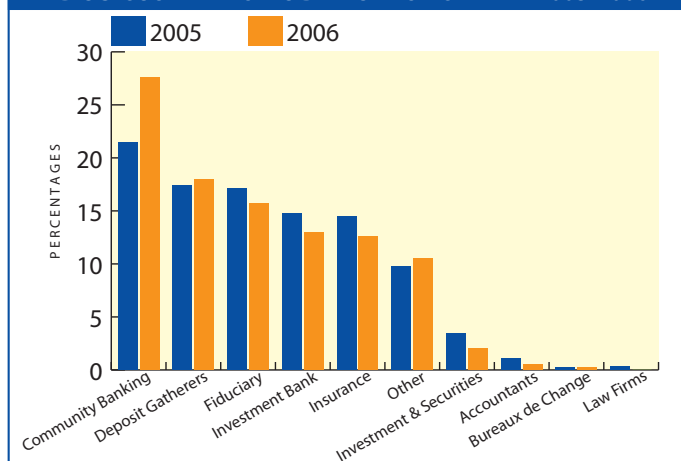


During 2006, 555 STRs were received, which is a decrease of 15% when compared with 2005. Taking a view over the first six years of operation of the FIS, the figures remain balanced with explanations for each year's deviation which reflect international trends eg: the high 2002 figure was a result of the events of 9/11.

#### 3.2 Sources of Money Laundering Reports

The following chart depicts the institution types from which money laundering disclosure reports are received:

#### DISCLOSURE REPORTS BY INSTITUTION TYPE 2005-2006

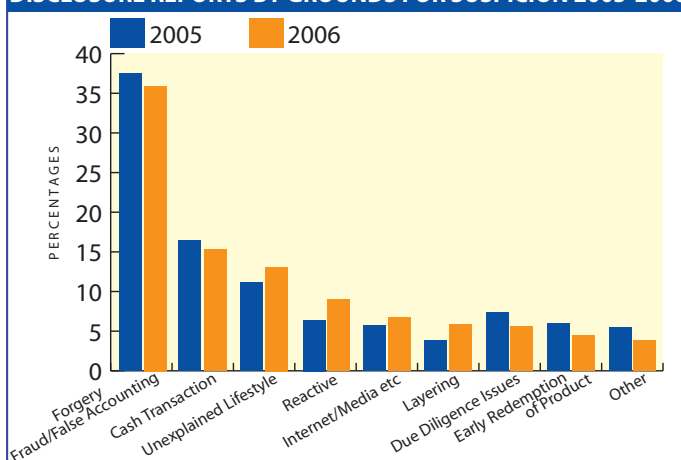


Traditionally, the majority of reports have consistently been made by the banking sector and this trend has continued through 2006, with the majority of disclosures being made by banks and building societies.

There have been minor fluctuations in the numbers of reports received from other sectors; however, this does not give rise to any significant trend indicators.

### 3.3 Disclosures by Grounds

#### DISCLOSURE REPORTS BY GROUNDS FOR SUSPICION 2005-2006



The grounds on which financial services businesses base their suspicions are carefully analysed to identify any emerging

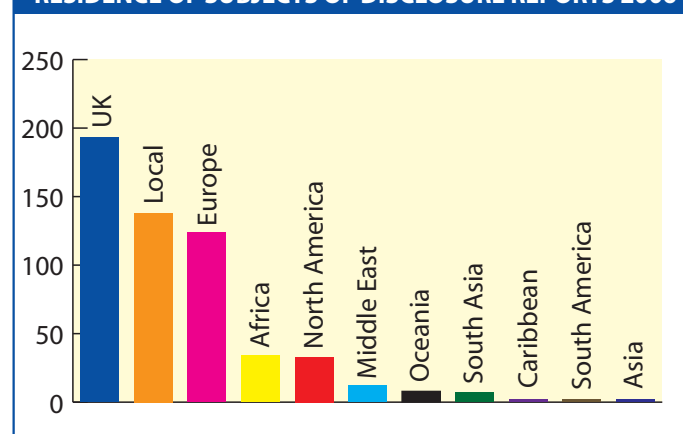
trends. Any notable changes may also indicate areas where the Bailiwick may be being targeted by criminals and utilised to direct preventative and educational activities.

Analysis of grounds for reports in 2006 with comparative data from 2005 has revealed that the figures have remained relatively consistent.

Of the reports received in 2006, approximately 15% related to cash transactions. Guernsey has a large itinerant population who mainly work within the horticulture and catering industries and further analysis identified that the majority of these reports are connected to such workers repatriating their salaries to their homeland.

### 3.4 Jurisdiction in which subject resides

#### RESIDENCE OF SUBJECTS OF DISCLOSURE REPORTS 2006



Trends relating to the countries or jurisdictions where subjects of reports reside are also of particular interest. The chart above gives an overview of such information for 2006. Subjects are classified by the jurisdiction of residence, or if the subject is a company or trust, its place of administration. In line with previous years, the majority of disclosures received have centred on residents of the UK, Europe and locals, which is expected given Guernsey's proximity to mainland Europe.

## 4. International Assistance



### 4.1 Routine requests for assistance

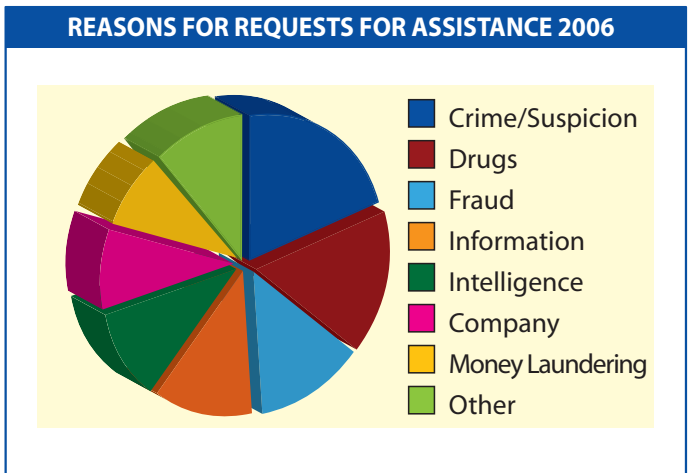
The FIS receives a wide range of requests for assistance each year from local law enforcement and overseas agencies.

As part of its commitment to international co-operation, the FIS is keen to assist other jurisdictions by sharing intelligence where this is required in support of a criminal investigation.

The nature of requests varies significantly from simple checks to establish any previous criminal intelligence, to more complex matters involving organised crime groups.

During 2006, 467 requests for assistance were received, compared with 439 during 2005. Of these, 52% were received from outside the Bailiwick, which is consistent with 2005 at 54%.

The following chart details the variety of matters involved in these requests:



### 4.2 International Organisations

During 2006, the Financial Intelligence Service has continued to play an active role within the Egmont Group of Financial Intelligence Units, with representation on the Training Working Group and during the early part of the year within the Transition Subcommittee.

The Training Working Group project to devise an on-going process to produce and publish sanitised cases for the benefit of FIUs and associated bodies continues to develop, with FIS personnel managing the editorial processes. Due to the increasing number of cases received, a Typologies Database was designed by a member of the unit for inclusion on the Egmont Secure Web in order to assist FIUs in locating cases relevant to their needs. In addition, efforts are being made for the cases to be translated in order to service a wider community.

Although not directly involved in asset recovery, the FIS also provides the Bailiwick point of contact for the CARIN Group and monitors the group's activities on behalf of the jurisdiction.

## 5. FIS Activities



It is difficult to quantify the value of FIS activities and the intelligence produced; by its nature, intelligence cannot be used directly in support of a prosecution and due to the suspicion based regime within the Bailiwick, disclosure reports may need significant development before they add value to a criminal investigation.

As an indication of the effectiveness and value of intelligence submitted by financial services businesses, approximately 10% of all formal production orders served in Guernsey during 2006 were preceded by a disclosure report and the sharing of intelligence with the jurisdiction concerned. The actual significance of the intelligence forwarded cannot be fully evaluated, however this indicates that a proportion of reports received do contribute directly to actual investigations.

The FIS continues to regularly support local law enforcement agencies by the provision of financial intelligence on suspects already under investigation, or by pro-actively compiling intelligence reports for consideration of further investigation.

During 2006, the FIS has through a variety of initiatives attempted to promote closer inter-departmental working with the intelligence and evidential teams within the Police and Customs Services. Such initiatives have included meetings with departments to discuss liaison and the manner of intelligence exchange, legislative and procedural developments.

A significant proportion of the FIS' activities relates to the provision of international cooperation in support of criminal investigations within foreign jurisdictions as the following sample cases evidence:

- A suspicious activity report was received from a local financial institution which as a result of their due diligence processes had identified that their client was wanted by an overseas jurisdiction for a serious fraud. The FIS conducted enquiries with the appropriate authorities and confirmed a criminal investigation was currently being conducted into this individual's activity and that the foreign agency would seek to restrain

any relevant funds held in Guernsey. The individual has subsequently been arrested and extradited to the country where the predicate offence was committed and in due course it is anticipated that restraint orders will be served.

- A request for assistance was received from a foreign Serious Crime Police Unit concerning individuals who had been charged with offences of conspiracy to defraud to the value of about £3 million. As a result of enquiries conducted by the FIS with local financial services businesses significant funds were identified and duly restrained.
- Following a request from the Guernsey Customs and Immigration Service, the FIS managed to identify a UK bank account for the principal of a UK drug smuggling syndicate which was suspected of the importation of Class A drugs into Guernsey. Details were passed on to the relevant investigation team for consideration of applying for production orders. The individual has been arrested and charged in Guernsey with offences of possession with intent to supply Class A drugs.
- The FIS was contacted by a foreign police service which was conducting a pro-active drug trafficking and money laundering investigation on a subject who was suspected to have funds in Guernsey. As a result of enquiries conducted by the FIS intelligence was identified and disseminated and subsequently used to support a Letter of Request in furtherance of the investigation.

## 6. Training & Feedback



During 2006 several feedback events were held by the FIS for financial institutions, covering up to date statistics on disclosure reports, case studies highlighting important issues and trends and other relevant topics of interest.

In addition to these presentations the FIS commenced two new initiatives related to providing feedback to the financial institutions and receiving comments from them.

Firstly, a review of all disclosures received in 2004 was conducted by FIS personnel in order to provide feedback during the coming year to the financial institutions. This will take the form of written feedback outlining the disclosures made by that institution and a brief description of any relevant developments since the report was made, such as whether or not the intelligence was disseminated to another agency or jurisdiction, any follow-up assistance requested, and any specific outcomes resulting from the information the institution provided. This initiative will be evaluated with a view to it becoming an annual project.

Secondly, a small focus group was formed with representatives from the main financial services sectors in order to speak as a group with members of the FIS on an informal basis. This is intended to give money laundering reporting officers the opportunity to refer to the FIS any comments on relevant issues, which they might not otherwise feel able to pass on. The meetings so far have proved very productive, with the FIS being able to receive first hand the opinions and observations of the group on issues surrounding the making of reports and the

implications of anti money laundering procedures.

In order to increase the understanding within the Bailiwick's police service of money laundering offences and related issues, a small awareness campaign was commenced including a guidance document circulated via the service's intranet library, leaflets distributed to operational officers and a series of informative posters. This project will be developed through additional training for new officers, briefings for crime investigators and assistance and advice offered to officers during relevant cases.

In order to continue the development of specialist knowledge within the FIU's own staff, several tailored training sessions were arranged, including the legislative framework applying to the local income tax authority, its powers and relevant criminal offences; comparisons between the main divisions of the financial services regulator and the regulations applicable to their respective roles; and specific training in the use of newly available law enforcement and commercial databases.

To further enhance the skills of the more experienced investigators, the FIS provided the opportunity for liaison and familiarisation visits to the FIUs of France and Belgium. With the kind co-operation of these Egmont Group colleagues the short attachments proved to be extremely valuable, enhancing the knowledge and understanding between units at an operation level. The rest of the FIS team subsequently benefited through an informal briefing session looking at the practical issues surrounding mutual assistance between civil and common law jurisdictions.

Towards the latter part of the year the FIS hosted a presentation by colleagues from the US Federal Bureau of Investigation on corruption and corporate governance issues. This closed session was directed at local law enforcement officers and regulators who were provided with an insight into the legal and commercial business factors involved in large corruption investigations. The presentation was extremely well received and proved to be very beneficial in terms of the practical problems encountered by investigators and the impact of such cases within the commercial sector.

## 7. Objectives

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### 7.1 IT Developments

During 2006 the FIS reviewed its current IT provisions and, following the endorsement of the Financial Crime Service Authority, it was agreed to merge further development with the planned replacement of the Customs, Excise, Immigration and Nationality Service database. This project not only benefits from economies of scale in terms of shared development but will also improve intelligence exchange between the organisations and other key stakeholders, such as the Police. Following consultation with all relevant parties, a tender process has been embarked upon and further development and implementation is scheduled for 2007.

### 7.2 Legislation

At present, several pieces of financial crime legislation are currently being progressed, which will address a number of issues within the current AML and CFT provisions. Proposals regarding a civil forfeiture regime are also being progressed, which will undoubtedly provide the jurisdiction with additional methods of tackling the proceeds of criminal conduct, where a criminal confiscation cannot be achieved or has previously been attempted.

### 7.3 Media Monitoring

During 2006, the FIS has continued to make full use of the service provided by LexisNexis UK, a company that provides financial institutions with an application for performing enhanced due diligence in order to mitigate money laundering risk. The LexisNexis KYC application enables a user to quickly check high risk entities against global databases of news, company filings, sanctions and PEP lists to assist proof of identity and to reveal associated interests. Additional functionality targets derogatory news on the entity that has appeared in an archive stretching back 30 years and covering many thousands of sources.

The FIS has found that reports gathered from LexisNexis have added value to investigations and kept investigators abreast of media reports relevant to cases of on-going interest. For further information on LexisNexis' services please contact the Financial Analyst at the FIS office.



## Contacts

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**Within the Bailiwick of Guernsey are a number of agencies involved in mutual assistance matters relating to criminal investigations.**

**The following information will enable you to make contact with the most appropriate department to provide you with assistance.**

### [Time Zone:](#)

The Bailiwick of Guernsey is in the same time zone as the United Kingdom.

### [Financial Intelligence:](#)

If your enquiry is one relating to intelligence only, concerning the financial aspects of an investigation, you should contact the

#### **Financial Intelligence Service**

Hospital Lane  
St. Peter Port  
Guernsey  
Channel Islands  
GY1 2QN

Tel: + 44 (0)1481 714081

Fax: + 44 (0)1481 710466

E-mail: [director@guernseyfis.org](mailto:director@guernseyfis.org)

The FIS office is open between 9.00 am and 5.00 pm Monday to Friday with the exception of Public Holidays. In the event of an emergency please telephone +44 (0)1481 725111 and ask for the Duty Police Inspector who will, if necessary, make contact with one of the FIS Officers outside of normal working hours.

It is also possible for other EGMONT FIUs to contact the FIS using the EGMONT secure channels of communication.

#### **International Drug Trafficking and Customs Fraud, including International Sanctions:**

If your enquiry relates to international drug trafficking offences involving importation, exportation or cross border money laundering offences, smuggling of contraband, fraud against your country's Customs and Immigration related legislation, the laundering of the proceeds of such crimes or infringements relating to International Sanctions, you should contact the

#### **Customs and Excise, Immigration and Nationality Service**

Investigation Division  
Fraud and International Team  
White Rock  
St. Peter Port  
Guernsey  
Channel Islands  
GY1 3WJ  
Tel: +44 (0)1481 230603  
Fax: +44 (0)1481 715901

The CEINS Fraud and International Branch office is open from 8.30 am to 5.00 pm Monday to Friday with the exception of Public Holidays. If you require urgent assistance outside of normal office hours then please telephone the Guernsey CEINS Investigation Department on +44 (0)1481 741400 and one of the Duty Officers will, if necessary, make contact with one of the officers of the Fraud and International Team.

#### **General Fraud and Drug Trafficking:**

If your enquiry relates to other types of fraud, drug trafficking offences being investigated by police or the laundering of the proceeds of crime you should contact the

#### **Guernsey Police Commercial Fraud and External Affairs Department**

Police Headquarters  
Hospital Lane, St. Peter Port  
Guernsey  
Channel Islands  
GY1 2QN  
Tel: +44 (0)1481 719449  
Fax: +44 (0)1481 719443  
E-mail: [gpolfraud@guernsey.net](mailto:gpolfraud@guernsey.net)

The Guernsey Police Commercial Fraud and External Affairs Department office is open between 9.00 am and 5.00 pm Monday to Friday with the exception of Public Holidays. If you require assistance outside of normal office hours please telephone +44 (0)1481 725111 and ask for the Duty Inspector. He will give whatever assistance he can and if required contact one of the officers of the Commercial Fraud Department outside of normal office hours.

#### **Legal Inquiries:**

If you have a question relating to the legislation concerning mutual assistance matters in the Bailiwick you should contact

#### **The Criminal Team**

The Chambers of the Law Officers of the Crown  
St. James' Chambers  
St. Peter Port  
Guernsey  
Channel Islands  
GY1 2PA  
Tel: +44 (0) 1481 723355  
Fax: +44 (0)1481 725439  
E-mail: [law@gov.gg](mailto:law@gov.gg)

The Chambers of the Law Officers of the Crown are open between 9.00 am and 5.00 pm Monday to Friday with the exception of Public Holidays.

#### **Inquiries regarding regulatory matters:**

If you require regulatory information you should contact the

#### **Fiduciary and Intelligence Services Division**

Guernsey Financial Services Commission  
La Plaiderie Chambers  
La Plaiderie  
St. Peter Port  
Guernsey  
Channel Islands  
GY1 1WG  
Tel: +44 (0)1481 712706  
Fax: +44 (0)1481 726952  
E-mail: [kborn@gfsc.gg](mailto:kborn@gfsc.gg)

The Guernsey Financial Services Commission is open between 9.00 am and 5.00 pm Monday to Friday with the exception of Public Holidays.



