



**Bailiwick of Guernsey  
Financial Intelligence Service**

**Suspicious Activity Reports  
Annual Report  
2017**

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## FOREWORD

It is my pleasure to introduce the Bailiwick of Guernsey, Financial Intelligence Service Annual Report for 2017.

Money laundering and the financing of terrorism (ML / FT) are serious crimes that threaten to destabilise the global economy. Organised Crime Groups (OCGs) and networks continue to disguise the illegal origins of their criminal wealth and protect their assets by using financial products to avoid detection by law enforcement agencies and to prevent a trail of incriminating evidence. Terrorists and terrorist organisations also rely on funding to support their activities and to carry out terrorist acts.

Financial Intelligence Units (FIUs) play a vital role in combating money laundering, the financing of terrorism and other offences. The Bailiwick of Guernsey Financial Intelligence Service (FIS) continues to play an active role in confidentially exchanging intelligence with law enforcement agencies, competent authorities and other Egmont Group FIUs.

The FIS has continued to experience an increase in the number of Suspicious Activity Reports (SARs) submitted by reporting entities with 1,438 SARs filed in 2017 which represents a 5% increase of 2016. There also continues to be a significant increase in the number of SARs where a defence against money laundering has been requested with 1,048 consent requested received in 2017, 825 of which related to new SARs. This is the highest number of consent requests the FIS have received to date.

It is clear from compiling this report that the SAR regime is key in tackling both domestic and international criminality. The information that is obtained from reporting entities is crucial in tackling organised crime, fraud, tax evasion and the emerging threats of cyber related crimes. Therefore the continued engagement with financial services businesses and other sectors is vital to ensure that the Bailiwick remains a well regulated international finance centre with a well established anti-money laundering and countering financing of terrorism framework (AML/CFT).

In August 2017 the Bailiwick of Guernsey introduced a centralised register of beneficial ownership of Guernsey legal persons. The sharing of accurate and timely beneficial ownership information to appropriate authorities is key in the fight against money laundering and the financing of terrorism. The FIS is therefore committed to provide details of beneficial ownership of Guernsey legal persons, on request, from domestic and international law enforcement agencies investigating such crimes.

The Bailiwick of Guernsey is committed to meeting the highest international standards in AML/CFT and to demonstrate that we are a cooperative and transparent jurisdiction. The FIS, like other FIUs and law enforcement agencies, face challenges and emerging threats as transnational organised crime groups seek to exploit legitimate activities for criminal purposes. These emerging threats gives rise to the need for financial investigation units, law enforcement agencies and public-private partners to work collaboratively together to tackle and prevent money laundering, organised crime and acts of terrorism.

I hope that you enjoy reading the 2017 Annual Report.

Adrian Hale,

Head of the Bailiwick of Guernsey Financial Intelligence Service

October 2018

# THE FINANCIAL INTELLIGENCE SERVICE

**The FIS is the Bailiwick of Guernsey Financial Intelligence Unit (as defined by the Financial Action Task Force Recommendations). It is staffed by officers from Guernsey Law Enforcement (LE).**

## **The Role**

- The FIS is the competent authority within the Bailiwick of Guernsey for the receipt of Suspicious Activity Reports (SARs), the analysis and the dissemination of financial intelligence to combat money laundering and countering the financing of terrorism.

## **Strategic Aims**

- To provide quality intelligence with regards to all aspects of financial crime investigations with the emphasis on combating money laundering and countering the financing of terrorism.
- To undertake parallel financial investigations in acquisitive criminal investigations.
- To manage the delivery of full international cooperation, within the law, to competent and relevant overseas authorities.
- To deliver services to enhance the coordination and the development of criminal intelligence to combat financial crime.

## **Objectives**

- To facilitate the receipt of SARs from reporting entities.
- The development, analysis and dissemination of financial intelligence, in a timely and effective manner, to other competent authorities both domestically and internationally.
- To support domestic financial and economic crime teams, through the development of financial crime intelligence into viable crime investigations with an emphasis on identifying money laundering cases and the prevention and disruption of the financing of terrorism.
- To respond to international requests for assistance in a timely manner, adding value where possible.
- To provide accurate and timely beneficial ownership information, on request, from other law enforcement agencies.
- To provide feedback to the private sector to ensure qualitative SAR reporting.
- To maintain the security of the FIU, ensuring that the information and intelligence is managed and disseminated securely and that the confidential information / intelligence is maintained and protected appropriately.

## 2017 FIS HIGHLIGHTS

**1438**

Suspicious Activity Reports  
received by the FIS

**EGMONT PLENARY 2017**

Macao

Attended by the Head of FIS

Suspicious Activity Reports  
2016 v 2017

**5% increase**

**824**

Reports Disseminated to  
International Authorities

**144**

Reports Disseminated to  
Domestic Authorities

**1048**

Record Number of Consents  
received by the FIS

**Terrorist Financing Seminar  
and  
Bulletin  
issued by FIS**

**HMRC Seminar  
Criminal Finances Act (2017)  
November 2017**

**Beneficial Ownership Register**

Formed in 2017

## STATISTICS: SARS - TYPE

The suspicion of terrorism is reported under The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002. The suspicion of money laundering or suspicion that certain property is derived from criminal conduct is reported under the Disclosure (Bailiwick of Guernsey) Law 2007 and The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 and their associated regulations and ordinances.

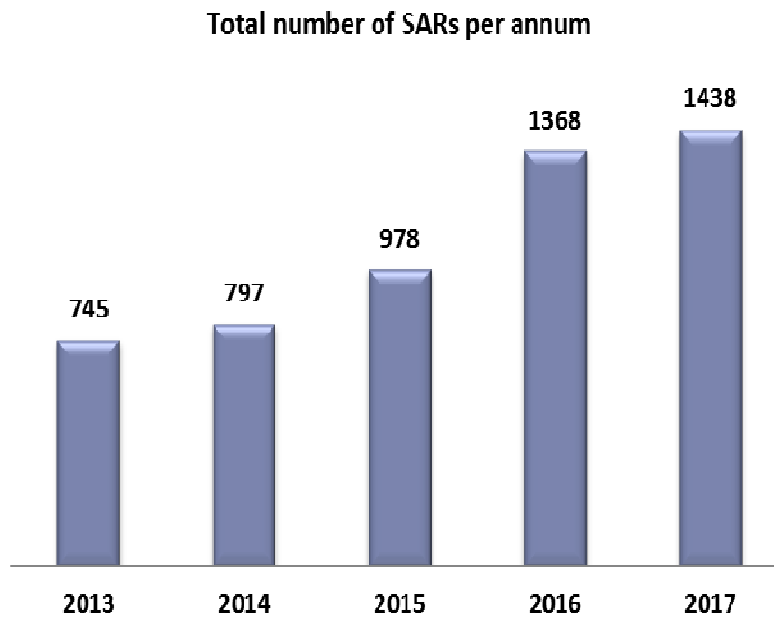


Figure 1: Total number of SARs reported to the FIS 2013—2017

There continues to be an increase in the number of SARs reported. Figure 1 shows that in 2017, 1438 SARs were received, representing an increase of 93% on the number received in 2013. This is attributable to an increase in Anti-Money Laundering (AML) awareness, reporting entities being more risk averse in conjunction with an increase in adverse media reporting in respect of money laundering.

The SARs reported must contain qualitative information to enable the FIS to provide accurate information. The FIS will be publishing guidance on the submission of SARs to improve the quality of the information submitted in 2018/2019.

SARs RECEIVED BY TYPE	2013	2014	2015	2016	2017
Suspicion of Terrorism - The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002	5	4	3	8	19
Suspicion of Money Laundering or that certain property is derived from Criminal conduct - Disclosure (Bailiwick of Guernsey) Law 2007	740	793	975	1360	1419

Operational and strategic analysis is undertaken by the FIS based on the information received in SARs. Operational analysis identifies targets (persons, assets, criminal networks), possible proceeds of crime and the links between them. Intelligence from this analysis can be disseminated to multiple competent authorities both internationally and domestically. Of the 1438 SARs received in 2017, 968 intelligence disseminations (both international and domestic) were made. Strategic analysis aims to identify patterns, trends, and typologies which provide the FIS with enhanced knowledge and understanding of risk. This enables the FIS to focus on combating money laundering and countering the financing of terrorism.

## STATISTICS: SARS - SECTOR

The FIS received 1,438 SARs which were submitted by a wide range of sectors including regulated entities, non-regulated entities, regulatory authorities and high value dealers.

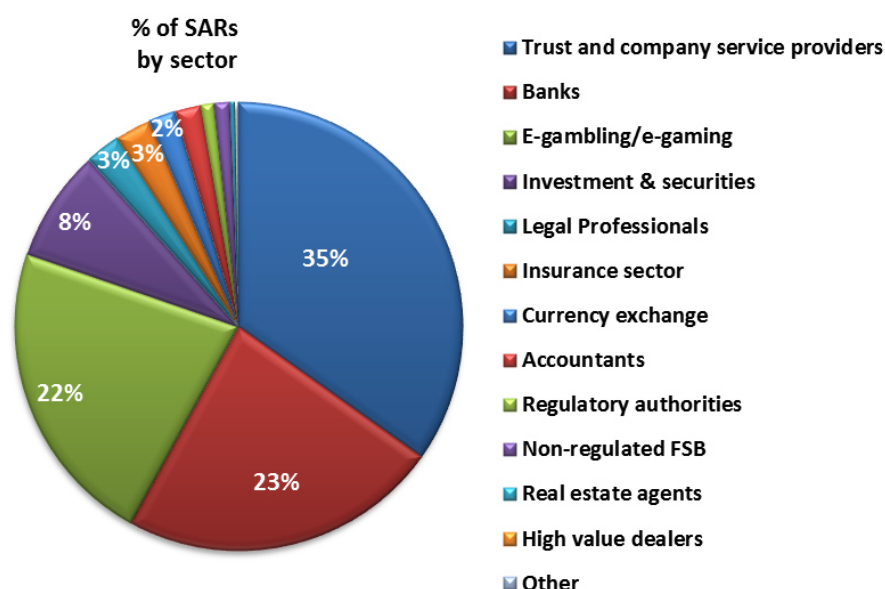


Figure 2.1: Percentage of SARs submitted to the FIS by sector

Figure 2.1 shows that a third of SARs were received from trust and company service providers, representing the largest proportion of SARs submitted by sector, followed by banks and e-gambling/e-gaming. This mirrors the statistics of 2016.

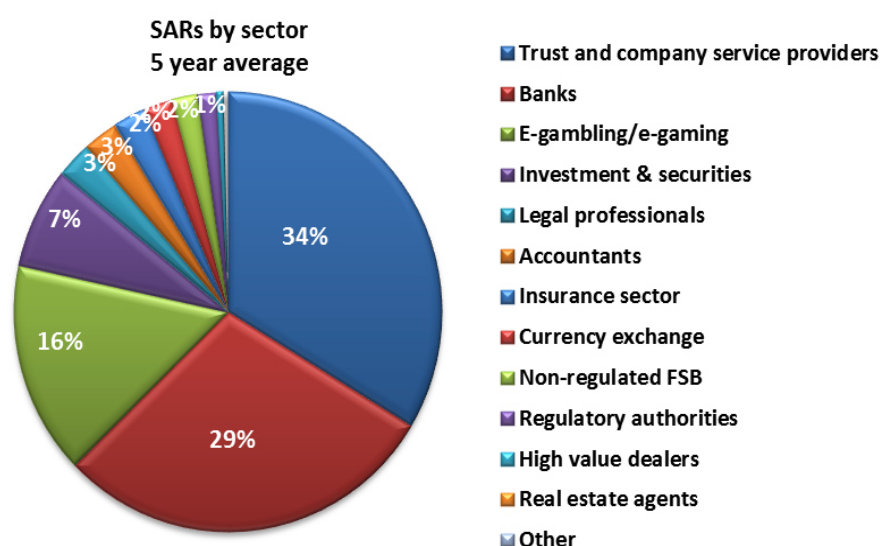


Figure 2.2: Percentage of SARs submitted to the FIS by sector 5 year average (2013 to 2017)

Approximately 63% of the five year average number of SARs originate from trust and company service providers and banks as shown in figure 2.2. This pattern broadly reflects Guernsey's position as a wealth management centre. There has been a significant increase in the number of SARs from the e-gambling/e-gaming sector with the majority of SARs relating to UK Nationals. The FIS is monitoring this increased trend and working in collaboration with the UK FIU.

## STATISTICS: SARS - RESIDENCY

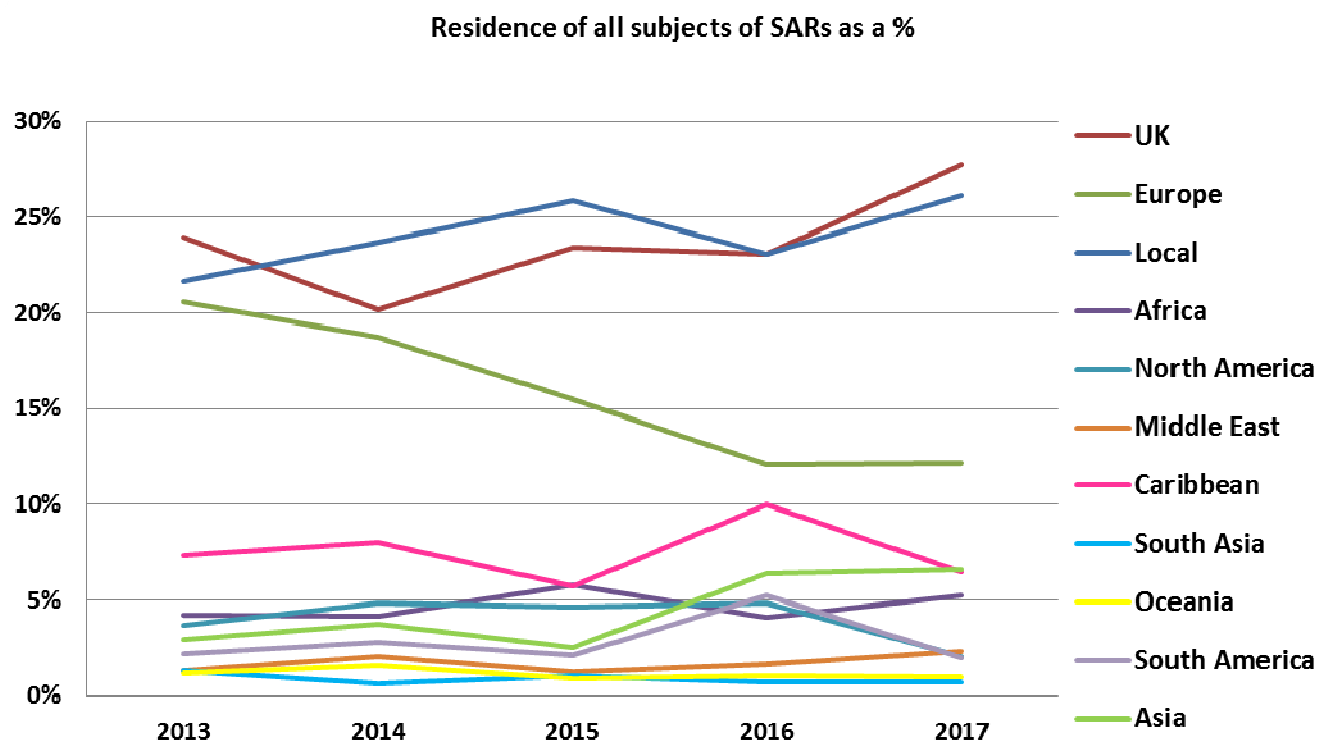


Figure 3: Percentage of residence of subjects of SARS submitted to the FIS

The primary residence of subjects of SARs is the UK (28%), closely followed by 'local' (26%) which includes residents of the Channel Islands (Bailiwick of Guernsey and Jersey). In 2017 there was an increase in UK subjects of SARs compared to 2016 which was mainly due to an increase in SARs submitted by the e-gambling/e-gaming sector. The subject was identified to reside within the UK within 94% of these SARs. The increase in 'local' subjects was mainly due to an increase in SARs submitted for domestic acquisitive crime, specifically drug trafficking.

The number of SARs for subjects resident in Asia remains consistent with 2016 (7%) which is mainly due to a tax amnesty in the region. There has been a slight increase in the number of SARs for subjects resident in Africa (5%), also due to a tax amnesty. In 2017 there has been a decrease in the number of SARs for subjects resident in South America compared to 2016 which was predominantly due to a tax amnesty, which identified an increase in SARs for that year.

The number of SARs for subjects resident in Oceania and South Asia remains low.



## STATISTICS: SARS - SUSPECTED CRIMINALITY

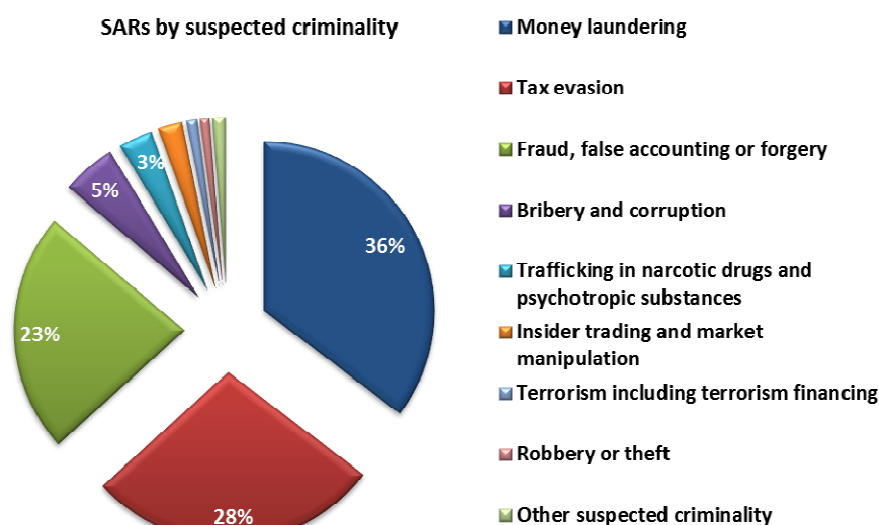


Figure 4.1: Percentage of suspected criminality of SARs submitted to the FIS in 2017

The analysis of SARs identified money laundering as the most commonly reported suspected criminality followed by tax evasion as seen in figure 4.1. In comparison to 2016 the predominant criminality reported was tax evasion, followed by fraud, false accounting or forgery and money laundering. This increase is deemed to be attributed to the number of SARs submitted to the FIS by the e-gaming sector.

There were a number of tax amnesties during 2017 which accounts for tax evasion being the second highest criminality reported. There has been a 5% decrease in the number of SARs relating to fraud and false accounting or forgery between 2016 and 2017.

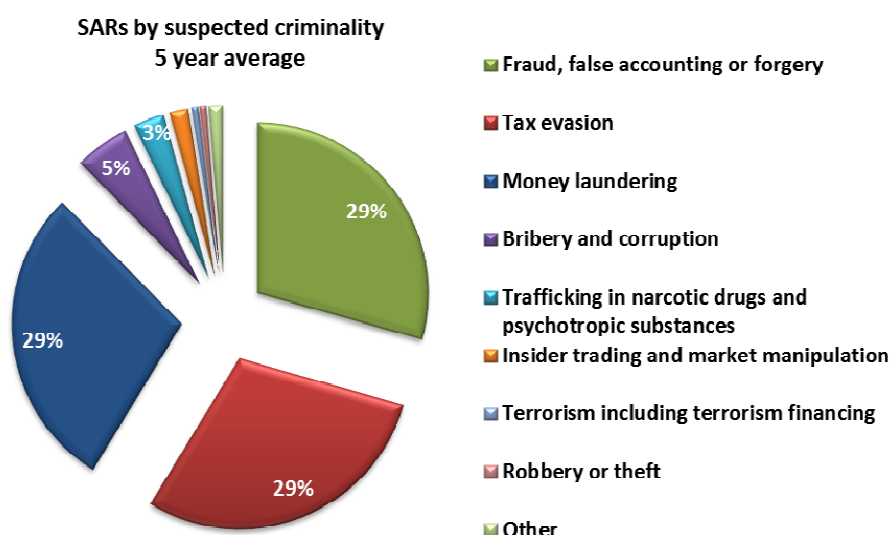


Figure 4.2: Percentage of SARs submitted to the FIS by criminality 5 year average (2013 to 2017)

The four criminalities reported most frequently in the five year period 2013—2017 remain consistent with previous years being; fraud, false accounting or forgery, tax evasion, money laundering and bribery and corruption.

## STATISTICS: SARS - NON-PROFIT ORGANISATION/CHARITIES

The FIS has seen a decrease in the number of SARs with links to non-profit organisations (NPO) or charities compared to 2016. In 2017 a total of 6 SARs were received with links to NPOs or charities compared to 15 in 2016. This is attributable to a number of NPO and charities being subjected to attempts of fraud in 2016. The FIS has issued guidance to this sector in relation to fraudulent attempts resulting in a decline in the number of complaints of fraud for 2017 generally and only two SARs related to a fraudulent attempt to set-up a standing order for two charities. This could account for the decrease in the number of SARs reported by this sector. The number of SARs with a link to a NPO/charity remain low.

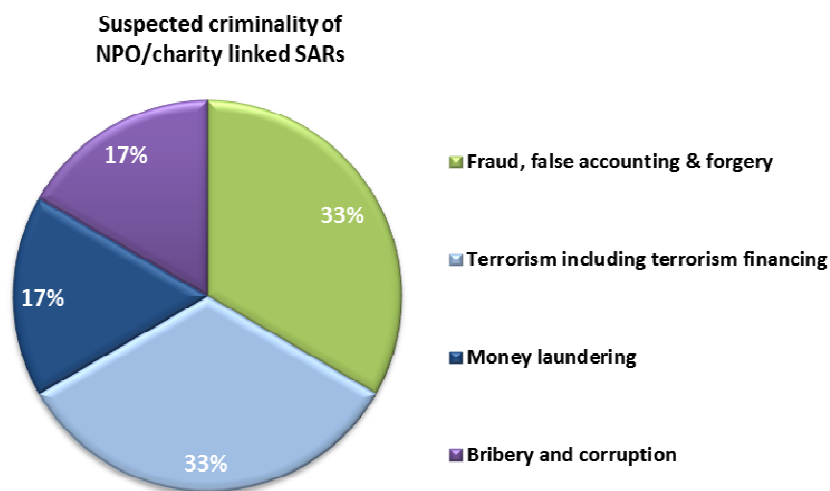


Figure 5.1: Percentage of suspected criminality of SARs linked to NPOs or Charities submitted to the FIS in 2017

A SAR attributed to an NPO, submitted by a bank, identified direct debit payments to an Islamic charity during an application process and the business was therefore declined.

The FIS disseminated intelligence to the UK Financial Intelligence Unit and to local law enforcement on all NPO linked SARs received.

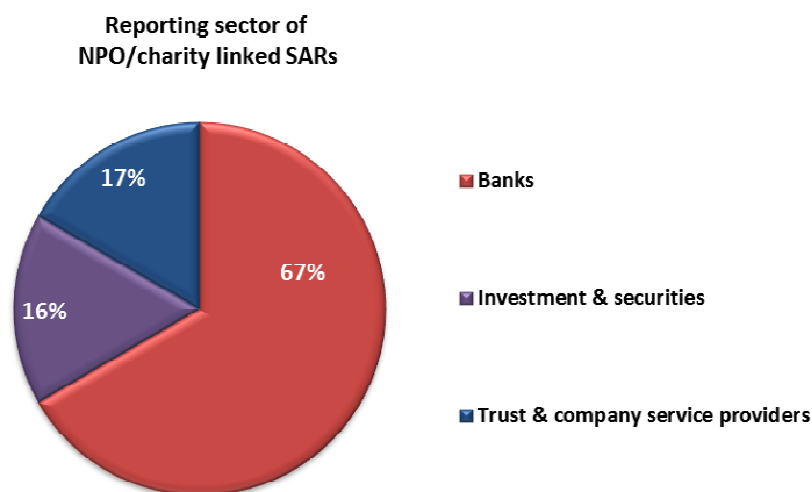


Figure 5.2: Percentage of sectors reporting NPO or Charity linked SARs to the FIS

67% of all NPO/charity linked SARs were received from the banking sector.

## STATISTICS: SARS - TERRORISM

The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 enshrines in law the provisions for the reporting of knowledge or suspicion to the FIS, that a person is engaged in terrorist financing or that certain property is derived from terrorist property.

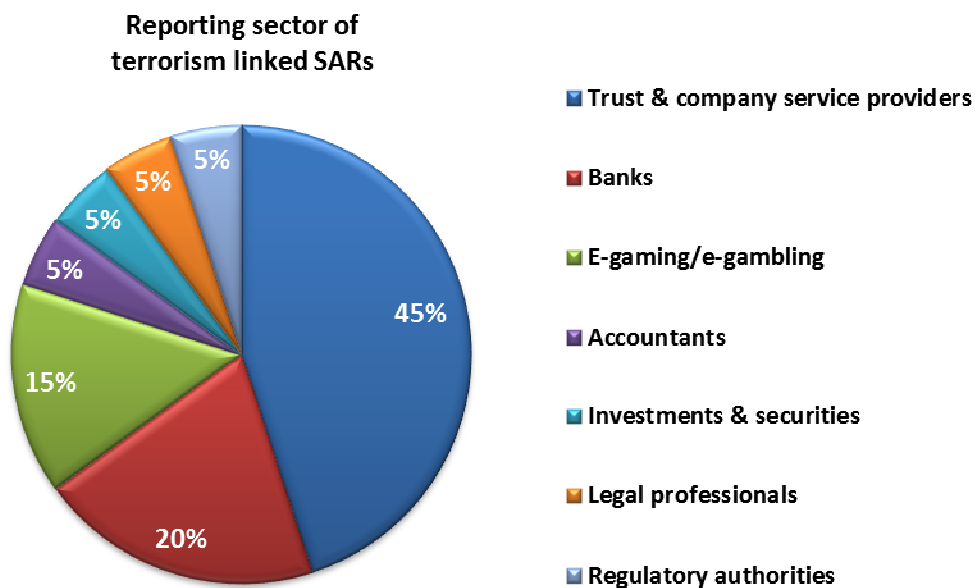


Figure 6: Percentage of SARS reported to the FIS in 2017 linked to terrorism

Analysis of all the SARS received by the FIS identified a total of 20 SARS linked to terrorism or terrorist financing of which 13 SARS were disclosed under the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 and 7 were disclosed under the Disclosure (Bailiwick of Guernsey) Law, 2007.

Figure 6 shows that trust and company service providers (TCSPs) submitted 45% of these SARS, followed by 20% from banks, and 15% from e-gambling/e-gaming. The reporting of suspicion by accountants, investment / securities and the legal profession is low with these sectors only reporting 5% respectively which equates to 1 SAR each.

The number of SARS submitted in relation to terrorism remain low, and as such clear trends have not been identified.

For the majority of SARS, the FIS disseminated spontaneous intelligence reports to competent authorities both locally and internationally. These disseminations have not lead to any follow-up requests for assistance to date. If any of these SARS had indicated that there were grounds for a terrorist financing investigation or prosecution this would have been pursued vigorously.

## STATISTICS: SARS - POLITICALLY EXPOSED PERSON

A Politically Exposed Person (PEP) means a natural person who is or has been entrusted with prominent public functions by any foreign country or any close business associate of family member of such a person.

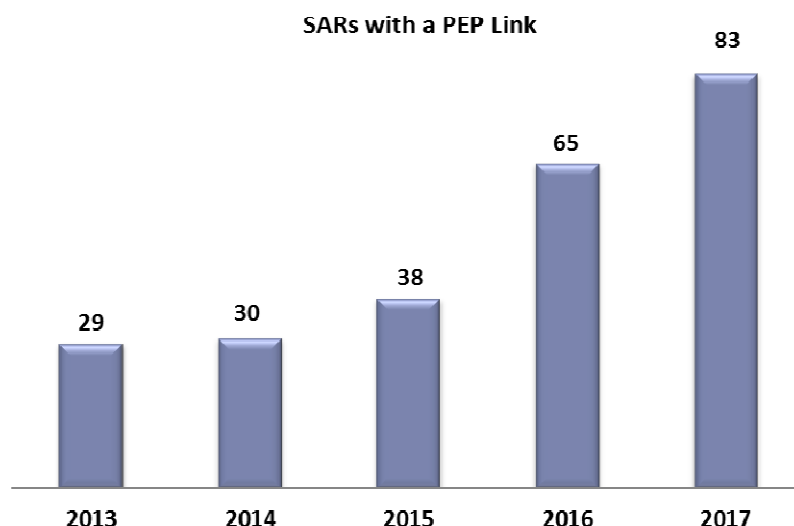


Figure 7.1: Total number of SARs reported to the FIS (2013 and 2017), that are linked to PEPs

An increase of approximately 186% can be seen when comparing the number of SARs identified with a PEP link between 2013 and 2017. Trust and company service providers continue to submit the highest proportion of PEP linked SARs (46%), followed by banks (23%), and investments and securities (18%).

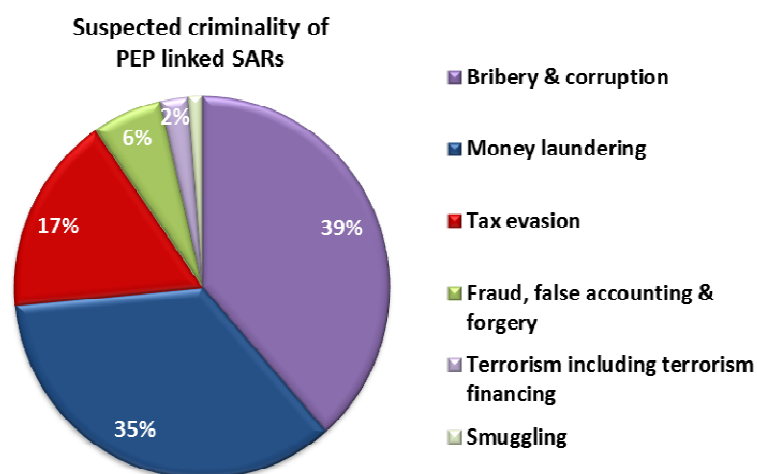


Figure 7.2: Suspected criminality of PEP linked SARs reported to the FIS

The SARs involving a PEP, identified the most commonly reported suspected criminality to be bribery and corruption which remained consistent with 2016, followed by money laundering (2016) and tax evasion (2016).

FATF guidance on PEPs:-

<http://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-PEP-Rec12-22.pdf>

## STATISTICS: SARS - ATTEMPTED TRANSACTIONS

The FATF recommendations specify that the reporting of all suspicious transactions, including attempted transactions, should be reported regardless of the value of the transaction. Attempted transactions have been recorded by the FIS since 2013. In 2017 they comprised approximately 15% of the annual SARs received. This represents an increase of over a 100% on 2016.

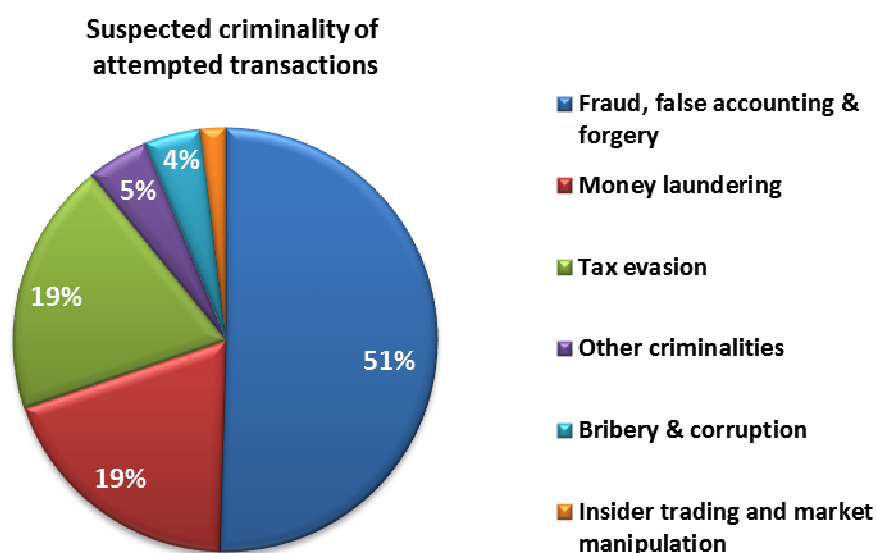


Figure 8.1: Suspected criminality of attempted transactions SARs reported to the FIS

Figure 8.1 depicts that of the reported attempted transactions, 51% of the SARs received by the FIS relate to suspected fraud, false accounting and forgery. Money laundering and tax evasion account for the majority of the remaining reported criminalities of attempted transactions. This suggests that reporting entities are more aware of the risk of tax evasion and money laundering associated to some attempted transactions.

The majority of attempted transaction reports were submitted by trust and company service providers, continuing the trend seen in 2016.

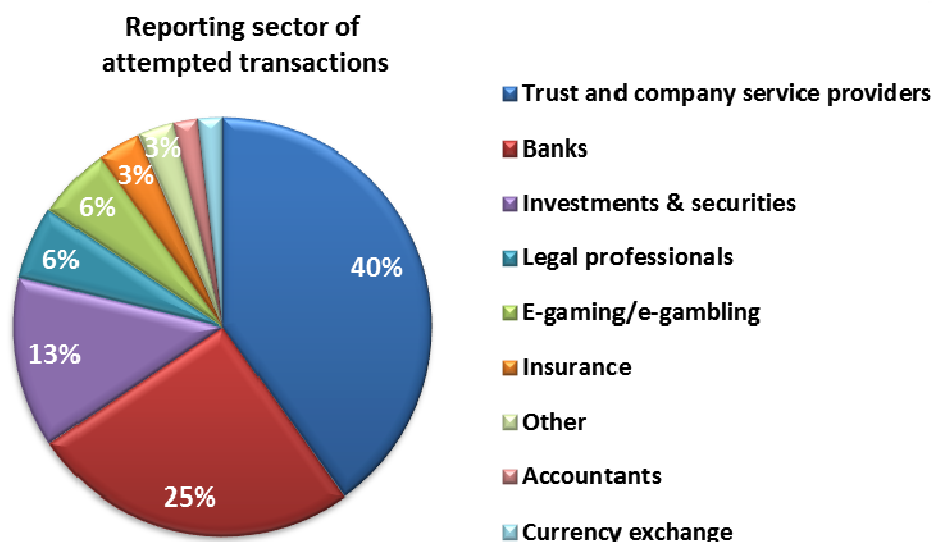


Figure 8.2: Reporting of attempted transaction by sector to the FIS

## STATISTICS: SARS - FIS ACTION & PROVISIONAL MEASURES

A disclosure of suspicion made to the FIS may include reference to an 'Act' which may constitute an offence under Sections 38, 39 or 40 of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, Part IV of the Drug Trafficking (Bailiwick of Guernsey) Law, 2000 or Section's 8 to 11 of the Terrorism and Crime (Bailiwick of Guernsey) Law 2002. If a reporting entity suspects that they are undertaking an 'Act' that would constitute an offence pursuant to the legislation a request should be submitted, as part of the disclosure, outlining the suspected 'Act' and seeking Consent from the FIS to undertake the 'Act'. The granting of 'Consent' by the FIS provides the reporting entity with a statutory defence to a charge of money laundering in respect of the 'Act' undertaken. This consent and the defence afforded by it:-

- Should not be taken as a statement that the property in question does or does not represent criminal property.
- Does not oblige or mandate the requesting person or legal person to undertake the 'Act'
- Does not absolve the reporting entity of it's regulatory requirements

If the FIS withholds consent, then the FIS will liaise closely with the reporting entity.

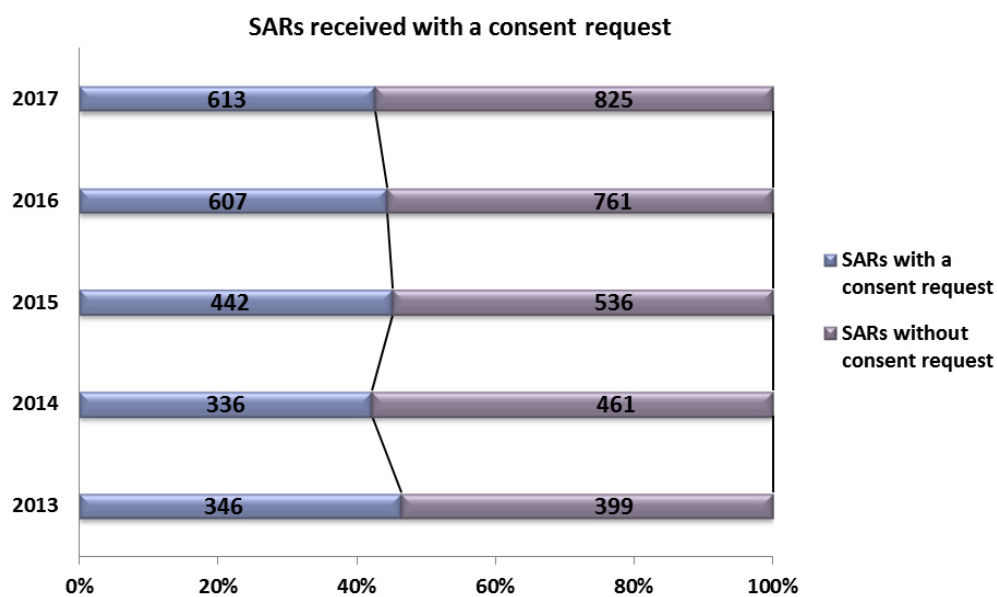


Figure 9: Total number of SARs received with a consent request

Figure 9 depicts the number of SARs received which included a request for consent pursuant to the law. This notes a consistent trend of approximately 45% of initial submissions with consent requests attached being submitted year on year (2013—2017).

As well as a consent request submitted at the same time as the SAR, consent requests can be subsequently submitted to an existing SAR. This means that a SAR may have more than one consent request attached to it. In total, the FIS received and responded to 1,048 consent requests, which were linked to 768 SARs in 2017.

In 2017 Consent was granted in respect of 85% of the SARs, 13% represented 'consent not applicable' and 2% were issued with 'no consent'.

## STATISTICS: SARS - REGULATION 2 & REGULATION 2A

The FIS has the power to obtain additional information under Regulation 2 of the Disclosure Regulations and the Terrorism Regulations. The FIS, pursuant to Regulation 2A, can also obtain additional information from a third party if it is satisfied that there are reasonable grounds to believe that the third party possesses such information. Furthermore, there must have reasonable grounds to believe that the information is necessary to the FIS for the proper discharge of its functions.

On receipt of a SAR, the FIS will undertake analysis and will invoke Regulation 2 or 2a powers if additional information is required to establish if any person is engaged in money laundering, or that certain property is derived from the proceeds of criminal conduct.

Obtaining additional information is a coercive power and the reporting entity must provide the information within seven (7) days. The FIS may, on receipt of the information and after analysis refer the case to law enforcement for further investigation. The majority of the cases referred to Bailiwick law enforcement during the year are related to domestic criminality. In the remaining cases the intelligence has been disseminated to overseas authorities for further investigation within their jurisdiction. In some cases this has led to the formal process of requesting evidential material through Mutual Legal Assistance with the Bailiwick of Guernsey.

The FIS has not utilised the power under Regulation 2 or 2A of the Terrorism Regulations, to date.

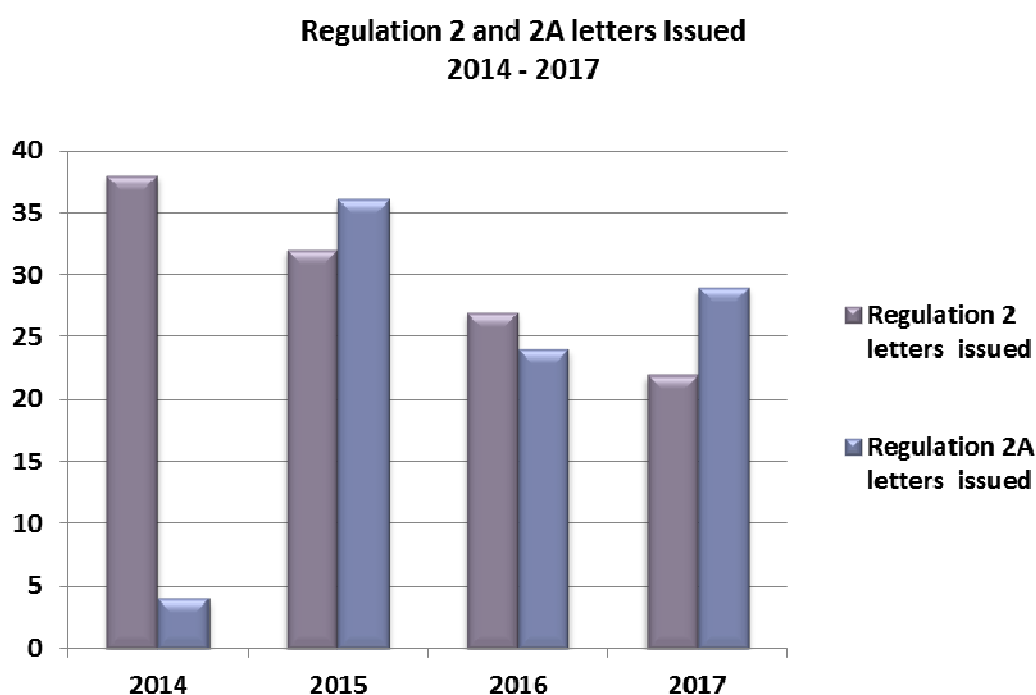


Figure 10: Total number of Regulation 2 and 2a letters issued by the FIS for the years 2014 to 2017.

NB: Legislation for Regulation 2a came into effect on 7th August 2014

## STATISTICS: SARS - DISSEMINATIONS

Financial intelligence is disseminated to other competent authorities (FIUs) and law enforcement agencies, both locally and internationally. 85% of all disseminations were made to international agencies and 15% were made to domestic authorities including the Guernsey Financial Services Commission (64), Bailiwick law enforcement (45), States of Guernsey Income Tax Service (25). Disseminations were also made to other local authorities which includes Alderney Gambling Control Commission, Social Security Department and States of Guernsey Housing Department.

	2013	2014	2015	2016	2017
Total SARs	745	797	978	1368	1438
Local disseminations	84	90	132	208	144
International disseminations	473	520	539	868	824
Total number of disseminations	557	610	671	1076	968

Area of international disseminations

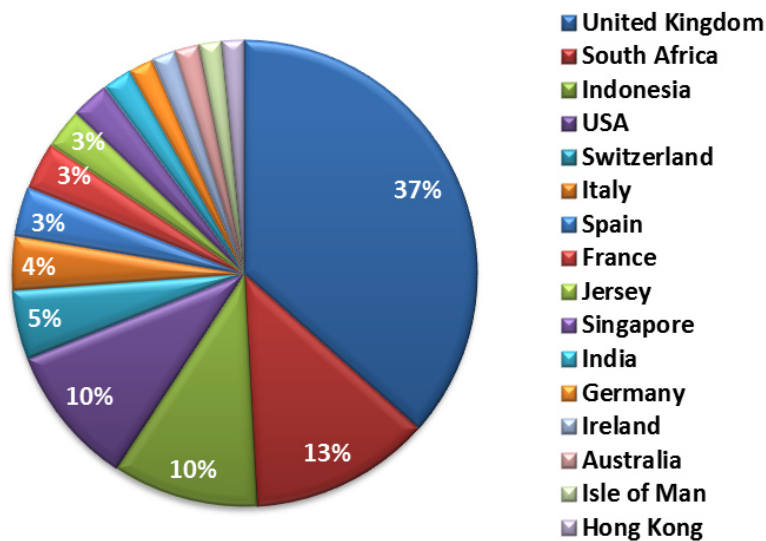


Figure 11: The distribution of countries that have received disseminations from the FIS in 2017

There has been a significant increase in disseminations to South Africa and Indonesia which is attributable to non-compliance with tax amnesties in those respective jurisdictions. Reporting sectors disclosed on clients which they believed would or would not be participating in these amnesties (see page 20 for more information on tax amnesties).

Disseminations to the UK authorities include the UK Financial Intelligence Unit (190), National Crime Agency, Serious Fraud Office, Financial Conduct Authority, HM Revenue and Customs and various UK Regional Police forces.



## STATISTICS: INTERNATIONAL REQUESTS

The FIS exchanges information freely, spontaneously and upon request with foreign FIUs. The FIS 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 jurisdictions. The latest signing in August 2017 was with The Financial Information Authority of the Holy See, Vatican City State.

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 FIUs.

When a request for information is received by the FIS, it is acknowledged upon receipt, and responded to in a timely manner. The FIS provides full cooperation where possible to the requesting jurisdiction.

The FIS sent 40 requests for financial information to 25 jurisdictions via the ESW, including Austria, Bahamas, Cayman Islands, Cyprus, Czech Republic, Estonia, France, Germany, Hong Kong, India, Israel, Italy, Latvia, Malta, Netherlands, Panama, Peru, South Africa, Switzerland, Turkey, and United States of America. Intelligence shared between jurisdictions is crucial for the analysis of SARs and for the development of intelligence. Timely responses and quality intelligence are essential for the jurisdiction.



Figure 12: Total number of requests received by the FIS from both international and domestic authorities

150 requests for information were received by the FIS from jurisdictions including Australia, Austria, Bangladesh, Belgium, BVI, Czech Republic, Gibraltar, India, Ireland, Isle of Man, Israel, Italy, Jersey, Jordan, Lithuania, Malaysia, Mauritius, Philippines, Romania, Slovenia, Spain, Switzerland, Syria, UK, USA and local law enforcement.

An increase of some 8% can be seen when comparing the number of requests for information received in 2016 and 2017.

The most frequently identified predicate offences within the requests received are money laundering, bribery and corruption, terrorism including terrorism financing and fraud.

## CROSS BORDER TRANSPORTATION OF CURRENCY & BEARER NEGOTIABLE INSTRUMENTS

The Cash Controls (Bailiwick of Guernsey) Law, 2007 prohibits the carrying of cash, in excess of €10,000 into or out of the Bailiwick unless it has been declared at a port of arrival or departure from the Bailiwick. Therefore, all cross border transportation of currency, carried by a person, in excess of €10,000 must be reported irrespective of suspicion. If an individual does not declare the cash then they are committing a criminal offence.

Law enforcement have been undertaking regular enforcement checks at the ports to identify persons carrying cash. In addition to the cash controls legislation, law enforcement officers have the power to seize monies (in excess of £1,000) if there are reasonable grounds to suspect that the money is the proceeds of unlawful conduct, or intended for use in unlawful conduct.

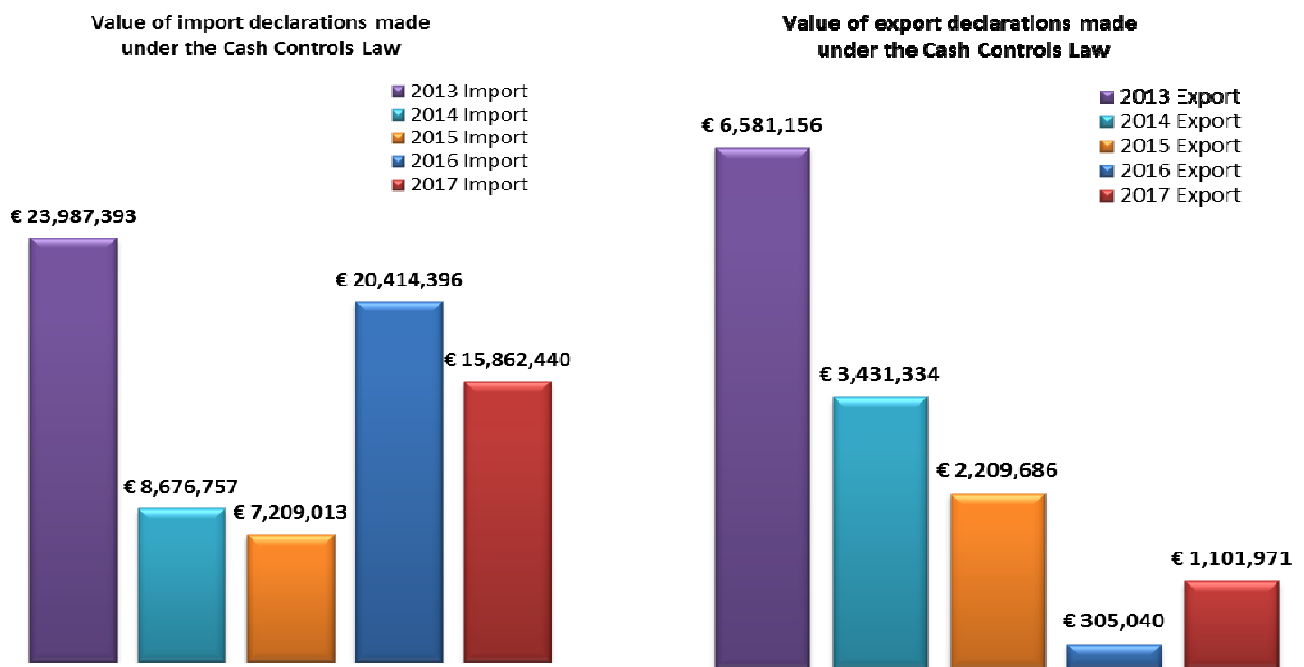


Figure 13: Value of import and export declarations made under the Cash Controls Law (2013 - 2017)

Total number of declarations and method of import and export of cash from the Bailiwick 2013-2017					
	Total	Import	Export	Air Travel	Sea Port
2013	211	133 *	78 *	131	80
2014	120	65	55	71	49
2015	116	62	54	71	45
2016	107	72	35	17	90
2017	99	53	46	25	40

\*The commercial import/export dealers implemented changes to the method in which bullion was re-sold. The bullion remained in the Bailiwick pending re-sale therefore the dealer was not required to export and re-import new products, which is attributable to the decrease in the table above.

## INDUSTRY OUTREACH: COMBATING TERRORISM FINANCING

In addition to the fight against money laundering, the prevention and detection of terrorism financing is a key role of the FIS. Combating terrorist financing effectively is a priority for the international community. Both the UN and the EU have enacted targeted financial sanctions and other restrictions in response to concerns about terrorism and its financing. Compliance with the UN measures is a specific requirement of the FATF standards. The Bailiwick of Guernsey is fully committed to the worldwide fight against terrorist financing and to supporting these international standards.

An FIU can play a pivotal role in identifying terrorist threats and assisting in terrorist investigations. This has been evidenced in a number of cases in the UK and Europe where FIUs have been able to identify the perpetrators of terrorist attacks through financial investigations.

### **International sanctions legislation**

The FIS continue to share EU Council Regulations and other international sanctions matters implemented within the Bailiwick. The FIS facilitated the distribution of 86 notices that specifically related to international sanctions to reporting entities. International sanctions also formed part of the outreach that the FIS provided to a number of sectors of the finance industry.

### **Operational multidisciplinary collaboration**

The FIS continue to work in close collaboration with Guernsey law enforcement and other key stakeholders in the fight against terrorism. There have been no terrorist threats to Guernsey and no domestic investigations identified in respect of the financing of terrorism to date.

### **Collaboration with the reporting entities**

In 2017 the FIS issued a bulletin to assist local authorities and private sector entities to detect and disrupt the financial flows of terrorists and terrorist organisations. The bulletin was issued by the FIS as part of the routine provision of information on this subject and was followed up by an International Terrorist Financing, Risk Awareness and Mitigation seminar in February 2017. Speakers included experts on terrorist financing from the United Nations, Israel, France and the UK.

Information on FATF's strategy on combating terrorist financing :  
<http://www.fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html>

## INDUSTRY OUTREACH: TAX AMNESTIES

A number of countries instigated tax amnesties in 2017 including; Indonesia, Philippines, South Africa, Jamaica, Kenya, and Pakistan. Below are some questions and answers in respect of reporting suspicion relating to tax amnesties, to the FIS.

**Please note that these questions and answers constitute brief guidance and are provided for information only.**

### What is a tax amnesty?

A **tax amnesty** provides a taxpayer or specific group of tax payers whose tax affairs are not compliant with the relevant tax legislation to:

- Make a full and complete disclosure of the non-compliance, within the specified timeframe;
- To pay the relevant taxes that are due as a result of the non-compliance; and
- May then limit the extent to which civil penalties and late payment interest that may be applied (and in some cases may provide the taxpayer with the assurance that prosecution will not be sought in respect of any tax offences, such tax evasion).

A tax amnesty typically expires when an authority begins a tax investigation of the past-due tax. In some cases, legislation extending amnesties also imposes harsher penalties on those who are eligible for amnesty but do not take it. A tax amnesty is one of voluntary compliance and the strategic aim is to increase tax base and tax revenue.

### Reporting Suspicion to the FIS

#### Do I have to file a SAR if my client is participating in their home countries tax regulation program?

The FIS cannot provide advice on when you should or should not file a SAR. If you have evidence from the client that they have participated in a tax amnesty i.e. correspondence from the tax authority, details of penalties/fines paid and you have no suspicion of money laundering offences then the criteria for reporting, under the disclosure law, would not be met.

#### When should a SAR be filed?

If you have a suspicion that the client has not taken advantage of a tax regulation program then you have an obligation, under the Disclosure law, to report that knowledge or suspicion to the FIS.

### Criminal Finances Act (2017) Presentation by HM R & C



**HM Revenue  
& Customs**

The FIS in collaboration with the States of Guernsey Policy and Resources Committee hosted a presentation by an expert from Her Majesty's Revenue and Customs (HMRC) on the new Criminal Finances Act (2017) and the corporate offences of failure to prevent the criminal facilitation of tax evasion. A total of 300 delegates from the private sector, law enforcement, revenue service, judiciary and regulator attended the presentation.

## INDUSTRY OUTREACH: GUERNSEY BENEFICIAL OWNERSHIP REGISTER

In line with developing international standards in transparency, Guernsey has introduced a centralised register of beneficial ownership of Guernsey legal persons. The Beneficial Ownership of Legal Persons (Guernsey) Law, 2017 came into force on 15th August 2017. The definition of beneficial ownership is set out in The Beneficial Ownership (Definition) Regulations, 2017.

A corresponding regime for Alderney legal persons under The Beneficial Ownership of Legal Persons (Alderney) Law, 2017 and The Beneficial Ownership (Alderney) (Definition) Regulations, 2017 came into force at the same time.

All Guernsey and Alderney legal persons have filed their beneficial ownership information on a central secure register. The purpose of the register is to enable law enforcement to obtain and retain accurate and timely beneficial ownership information for disclosure to appropriate authorities inside and outside of the Bailiwick of Guernsey.

FIS received  
5 requests for  
beneficial  
ownership details

The FIS is the competent authority within the Bailiwick of Guernsey for dealing with requests for beneficial ownership from the UK and other competent authorities. The FIS has direct access to the beneficial owner register and can therefore obtain information efficiently and effectively. The FIS received five (5) requests for beneficial ownership information pursuant to law in 2017, all of which were responded to in a timely manner.

Guernsey's AML/CFT framework which has applied to trust and company service provider sector for many years, combined with the long established regulation of the sector, means that beneficial ownership information held in Guernsey is of the highest standard.

The Guernsey Registry is the office which maintains the registrar of beneficial ownership of legal persons under the Guernsey law. A link to beneficial ownership guidance for financial services businesses and links to the legal framework can be found at:

<http://www.guernseyregistry.com/beneficialownership>

The Alderney Court Office is the office which maintains the registrar of beneficial ownership of legal persons under the Alderney law and Bailiwick law enforcement have access to the information held on the register. A link to beneficial ownership guidance for financial services businesses and links to the legal framework can be found at:

<http://www.courtofalderney.gg/article/161567/Beneficial-Ownership>

The FIS received no requests for beneficial ownership information held by the Alderney Court in 2017.

## SAR TYPOLOGIES

### Typology 1 - Fraud

The FIS approached a bank for assistance in reviewing (*person A's*) account who was under investigation for serious offences by law enforcement. The FIS received a SAR, where bank analysis identified a number of payments that were not in keeping with normal account activity, specifically a number of additional payments from his employer. Analysis identified a further account in a different name, and similar payments had also been received, from his employer, until the account was closed. Analysis identified that the suspicious activity commenced with a £5 credit transfer from the employers company account to the account of (*person A*). This was immediately withdrawn in cash from an ATM machine. Further transfers were identified, all under a threshold of £5,000, with the total sum identified as £132,000.

All intelligence was disseminated to the law enforcement Financial Criminal Team for investigation. (*Person A*) was subsequently arrested and charged with various offences including fraud, and was sentenced to 6 years imprisonment.

**Indicators: Unusual account activity, immediate ATM withdrawal, transfers under a threshold.**

**Q: Do I have an obligation to file a SAR if I am approached by law enforcement?**

**A:** *The Guernsey Financial Services Commission handbook provides guidance on the obligation to disclose knowledge or suspicion to the FIS. A suspicion, as per the guidance, may be based upon information from a number of sources, including the law enforcement agencies or other government bodies (including the Income Tax Service).*

### Typology 2-Organised crime group

A licensed e-gaming entity submitted a SAR to the FIS after routine checks identified adverse open source information on an account holder, (*person A*). The e-gaming entity identified various suspicious deposits into his account and sought clarification from (*person A*) as to the source of funds deposited. (*Person A*) was evasive and was unable to provide evidence of source of funds; the entity suspended the account.

Analysis of the SAR was undertaken. FIS enquiries identified that (*person A*) was wanted by UK law enforcement. The FIS made contact with the UK agency and disseminated the intelligence from the SAR. (*Person A*) was located and arrested by UK law enforcement.

**Indicators: Unusual deposits, unable to verify source of funds, adverse open source information.**

## SAR TYPOLOGIES

### Typology 3 - Drug trafficking

The FIS received a SAR from a trust and company service provider in respect of open source media articles indicating that the client of the trust and corporate service provider company (“TCSP”) was involved in drug trafficking, money laundering and participation in an organised crime group in Spain. The subject (*person A*) was the ultimate beneficial owner of a Guernsey company (*company A*) administered by the TCSP. (*Company A*) purchased a vessel (*vessel A*) for €1.2 million.

Financial intelligence was disseminated to the Spanish FIU, who confirmed that (*person A*) was in custody pending trial in Spain.

A yacht broker (*broker A*) sold (*vessel A*) and (*company A*) attempted to open a bank account in Guernsey to deposit the funds. The TCSP (*company A*) could not open a bank account in Guernsey as customer due diligence undertaken identified that the funds were attributed to (*person A*) and therefore suspected to represent the proceeds of crime. The funds were transferred to an escrow account in Spain held by (*broker A*); the funds remained under the control of the TCSP (*company A*).

The FIS liaised with the Spanish Authorities and in October 2017 the Spanish Court issued a Court Order to (*broker A*) instructing that the money attributed to (*person A*) be transferred to a bank account under the control of the Spanish Court. The TCSP sought consent to transfer the funds to the bank account in Spain, which was duly granted.

**Indicators: Adverse open source material.**

**Q: Do I have to file a SAR if I identify open source media articles in relation to my client?**

**A:** *Suspicion of money laundering may be based upon information from other sources including the media. Therefore if during the course of your business you form a suspicion that your client may be under investigation for money laundering or criminal conduct you have a obligation to report that suspicion to the FIS.*

**Q: Can I seek clarification from the client or the customer as to the true origin of the open source media article or am I committing a ‘Tipping Off’ offence?**

**A:** *The information is in the public domain and therefore you can seek to obtain clarification / information from the client or customer regarding their involvement in any criminal or civil matter contained within the open source article.*

## SAR TYPOLOGIES

### Typology 4 - SAR results in a TIEA request.

The FIS received a SAR from a trust and company service provider (TCSP) that administered a trust for a client that was resident in a foreign jurisdiction. The primary beneficiary of the trust (*person A*) had passed away 5 years ago and the beneficiary was now the deceased's husband (*person B*). The funds for the trust were held in a bank in another crown dependency however, the TCSP could not establish the source of funds/wealth. The suspicion was that the trust was set-up to circumvent tax or foreign exchange regulations.

The FIS disseminated intelligence from the SAR to the FIU of the country of residence of *person B* and subsequently received a request to disseminate the intelligence to their respective tax authority. The foreign FIU indicated that they would be seeking a formal Mutual Legal Assistance request to obtain the information held in Guernsey evidentially.

The FIS established from discussions with the service provider, that the foreign FIU had disseminated the intelligence to the foreign jurisdictions tax authority whom commenced a civil tax investigation and sought the information from Guernsey via a Tax Information Exchange Agreement (TIEA). The Revenue Service (RS) issued the Guernsey TCSP with a formal 'Notice'. The RS **did not apply** a clause in the request which would of prohibited the service provider from disclosing the existence of the request to any other person (including the FIS). Therefore as this clause was not included in the request the TCSP was able to inform the FIS that a formal 'Notice' had been received, as a result of a TIEA request from another jurisdiction.

The TCSP's original suspicion (and filing of a SAR) that the structure had been set-up for tax evasion purposes was therefore extremely influential in ensuring Guernsey authorities can collectively meet the international commitments to co-operate with other jurisdictions to combat financial crime (including tax evasion).

**Indicators: Trust and company service provider, no source of funds/wealth, structure set-up to circumvent tax disclosure obligations.**

**Q: If I am served with a Notice under section 75A or 75B of the Income Tax (Guernsey) Law, 1975, as amended which has been served as a result of an Exchange of Information request from another jurisdiction (such as a Tax Information Exchange Agreement) from the Revenue Service do I have an obligation to file a SAR?**

**A:** *The GFSC Handbook provides guidance on the obligation to disclose knowledge or suspicion to the FIS. A suspicion, as per the guidance, may be based upon information from a number of sources other government bodies (including the relevant Tax Authorities). Therefore if you are served with a TIEA request you may formulate a suspicion and consider filing a SAR.*

**Important Note:** *If Guernsey Revenue Service have applied a Section 75(B)(4) clause in the Notice you must not disclose the existence of the Notice or the underlying request for the exchange of information to any person including the FIS. If you are in any doubt you should first make contact with the Director of Revenue Service (via e-mail: [eoi@gov.gg](mailto:eoi@gov.gg))*



## SAR TYPOLOGIES

### Typology 5 - Confidence fraud

The FIS received a SAR from a money service business concerning a number of MoneyGram transactions that had been identified in a short period of time (7 days) to an individual in North Africa. The remitter of the funds informed the business that the recipient of the funds was known to them as they had become friends over social media and the recipient sought money from the remitter to purchase flights home as they were in financial difficulty.

The business refused to allow any further monies to be remitted as they suspected that the victim may be subject to a scam.

The FIS analysed and disseminated the intelligence from the SAR to law enforcement and as a consequence an officer arranged to meet the victim. The circumstances surrounding the communication with the person in North Africa was discussed with the potential victim of the scam and it was established that this had been a successful 'Confidence Fraud' and the victim agreed not to send any further funding to the person.

The victim lost approximately £2,800.00 as a result of the '**Confidence Fraud**'.

**Indicators:** Various transactions over a short period of time to the same recipient.

#### **Q: What is a Confidence Fraud?**

**A:** A 'Confidence Fraud' is the reliance on another's discretion and/or a breach in a relationship of trust resulting in financial loss. It includes a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment.

#### **Q: What is the Little Book of BIG Scams?**

**A:** Guernsey law enforcement in conjunction with States of Guernsey Trading Standards and the Metropolitan Police has published '**The Little Book of BIG Scams**' this fourth edition provides a general guide to many of the scams currently operating within the Bailiwick of Guernsey and across the UK.

E-version of 'The Little Book of BIG Scams' available at: [www.guernsey.police.uk/scams](http://www.guernsey.police.uk/scams)

## SAR TYPOLOGIES

### **Typology 6 - Cash Controls, including the use of Regulation 2 and 2a pursuant to the Disclosure (Bailiwick of Guernsey) Regulations, 2007**

The FIS received a SAR from a money service provider (MSP) in relation to a client (*person A*) that was purchasing euros utilising a debit card in the name of (*person A*), identified as a foreign national working in the hospitality business in Guernsey and was resident in a European State.

Analysis identified that (*person A*) would attend a number of branches of the MSP during a week and purchase in the region of €1,500 - €3,000 using the debit card attributed to a Guernsey bank (*bank A*). On three occasions (*person A*) accompanied by a third party (*person B*) attended the MSP and requested to change a total of £8,250 to euros. *Person A* informed the MSP that the funds were savings from bank account held at (*bank A*) and that the money would be utilised to purchase a property in (*person A's*) home country.

The FIS issued the MSP with a Regulation 2 letter requiring them to provide additional information in relation to (*bank A*) and copies of documents detailing the exchanges (*person A*) has made with the MSP. The FIS requested that the documents be provided within 2 days of receipt of the letter, which the MSP provided. Analysis identified the total amount of euros that (*person A*) had obtained from the MSP was €33,000.

The FIS subsequently issued (*bank A*) with a Regulation 2a letter requesting copies of (*person A's*) bank statements (6 month period). (*Bank A*) were compelled to provide the additional information within 2 days as the MSP had become aware that (*person A*) was intending to leave the island having changed a further £1,500 cash into euros.

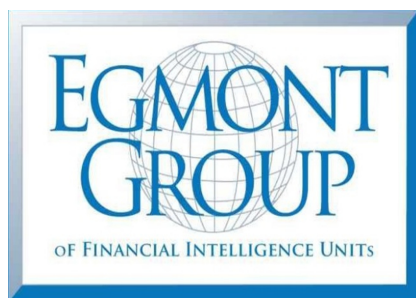
The FIS analysed the bank statements produced by (*bank A*) and ascertained that the funds that (*person A*) had changed to euros had not originated from (*bank A*), contrary to comments made to the MSP by (*person A*).

(*Person A*) was subsequently identified travelling out from Guernsey to London Gatwick. A cash detector dog indicated the presence of cash on (*person A*), who declared a total of €5,000. (*Person A*) was asked on numerous occasions if they were in possession of more than €5,000 but denied carrying more. A search of (*person A's*) baggage identified a total of €40,000 in cash within an empty shampoo bottle. (*Person A*) was arrested and charged with breaching the cash controls legislation, it was further established that (*person A*) had not declared £20,000 of earnings to the Income Tax Service and was issued with a tax penalty.

This typology evidences the effectiveness of the SAR regime and the collaborative working between key AML/CFT stakeholders.

**Indicators: Client of a Money service provider, attending various branches to purchase euros of various amounts over a short period of time.**

## INTERNATIONAL OBLIGATIONS - EGMONT GROUP



The Bailiwick of Guernsey Financial Intelligence Service continues to be an active member of the Egmont Group of 155 Financial Intelligence Units (FIUs). Guernsey, as a member of EGMONT, can effectively exchange and receive financial intelligence and information, via a secure network to assist in combating money laundering and terrorist financing. As a member of EGMONT Guernsey can develop operational and strategic collaboration with other FIUs around the world through operational work. Guernsey utilises the EGMONT secure web to disseminate intelligence, primarily received from SARs, to other FIUs.

A representative from the FIS attended the 24th EGMONT Group Plenary meeting in Macau hosted by the Macao Financial Intelligence Office (GIF). The meeting was attended by over 350 delegates from 110 FIUs worldwide and Guernsey had a number of bi-lateral meetings with other jurisdiction's to discuss current operational cases. Guernsey participated in a number of meetings and workshops and shared experiences and matters regarding AML/CFT. There were a number of presentations focused on information sharing, money laundering using virtual currency, identity fraud and combating the financing of 'Lone-Wolf' and small-scale terrorist attacks.

The new EGMONT Chair Ms Hennie Verveek-Kusters from the Netherlands was appointed at the Head of EGMONT FIUs meeting; a position she will retain until 2019. In addition the FIS signed a Memorandum of Understanding with the Italian Financial Information Authority, Vatican State City during the Plenary.

EGMONT welcomed five new countries into the Group during 2016/2017 specifically Cape Verde, Ecuador, Kosovo, Kuwait and Sudan. One member FIU was suspended during 2017 which was NFIU Nigeria.

Egmont 2016/17 annual report can be found at: <https://egmontgroup.org/en/document-library/10>



The FIS is required to demonstrate compliance with the Financial Action Task Force (FATF) Recommendations, and these Recommendations form the basis for the MONEYVAL evaluations, against which the FIS were evaluated in 2014, and the report published in January 2016.

<https://rm.coe.int/report-on-fourth-assessment-visit-anti-money-laundering-and-combating-/16807160f3>

Tackling terrorism-related financing remains the top priority for the FATF given the continued threat of terrorism to societies, safety and security.

FATF Plenary information:

<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-november-2017.html>

## LEGISLATION

The primary requirements of Bailiwick legislation to which the reporting of suspicion of money laundering and terrorism particularly relate are:

**The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 as amended**

<http://www.guernseylegalresources.gg/article/97901/Criminal-Justice-Proceeds-of-Crime-Bailiwick-of-Guernsey-Law-1999-Consolidated-text>

**The Disclosure (Bailiwick of Guernsey) Law, 2007 as amended**

<http://www.guernseylegalresources.gg/article/97922/Disclosure-Bailiwick-of-Guernsey-Law-2007-Consolidated-text>

**The Disclosure (Bailiwick of Guernsey) Regulations, 2007 as amended**

[https://www.gfsc.gg/sites/default/files/The-Disclosure-\(BoG\)-Reg-2007-as-amended.pdf](https://www.gfsc.gg/sites/default/files/The-Disclosure-(BoG)-Reg-2007-as-amended.pdf)

**The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 as amended**

<http://www.guernseylegalresources.gg/article/98997/Terrorism-and-Crime-Bailiwick-of-Guernsey-Law-2002-Consolidated-text>

**The Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007 as amended**

[https://www.gfsc.gg/sites/default/files/The-Terrorism-and-Crime-\(Bailiwick-of-Guernsey\)-Regulations-2007-as-amended.pdf](https://www.gfsc.gg/sites/default/files/The-Terrorism-and-Crime-(Bailiwick-of-Guernsey)-Regulations-2007-as-amended.pdf)

**The Drug Trafficking (Bailiwick of Guernsey) Law, 2000 as amended**

<http://www.guernseylegalresources.gg/article/97968/Drug-Trafficking-Bailiwick-of-Guernsey-Law-2000-Consolidated-text>

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