



**Bailiwick of Guernsey
Financial Intelligence Service**

**Suspicious Activity Reports
Annual Report
2018**

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FOREWORD



I am pleased to present the Bailiwick of Guernsey, Financial Intelligence Service Annual Report for 2018.

Money laundering, terrorist financing, and proliferation financing, have devastating real world consequences. Financial Intelligence Units (FIUs) play a vital role in countering these types of criminality. The Financial Intelligence Service (FIS) is the FIU for the Bailiwick of Guernsey and is the competent authority within the Bailiwick for the receipt of Suspicious Activity Reports (SARs).

The information received from SARs enables the FIS to effectively develop, analyse and disseminate reliable, accurate, and up-to-date financial intelligence to overseas and domestic competent authorities for use in investigations of financial crime, including money laundering, terrorist financing, and proliferation financing.

The annual level of SARs received continues to increase each year. The FIS received 2,108 SARs in 2018, an increase of 47% on the number received in 2017.

The information obtained from the analysis of SARs and the dissemination to other competent authorities is crucial in tackling all types of financial and organised crime and in ensuring that the Bailiwick of Guernsey remains a well-regulated international finance centre with a well-established and successful framework for combatting money laundering and countering the financing of terrorism and proliferation.

The FIS continues to conduct operational analysis on the SARs received, resulting in identifying activities and transactions linked to the proceeds of crime and money laundering both domestically and internationally.

The FIS also continues to undertake strategic analysis, using the information provided in SARs and other sources to identify the exposure of the Bailiwick of Guernsey to money laundering and terrorist financing. This analysis includes identifying common trends and patterns, some of which are included in the annual report.

The FIS is proud to work collaboratively with other FIUs, law enforcement agencies, the regulator (s), other Government departments and public-private partners in the fight against financial crime, and is pleased to present this 2018 report on Suspicious Activity Reporting.

It is hoped that this Report will be of value to all of the FIU's stakeholders and to the public to enable all to better appreciate the nature and value of the work of the FIS.

Adrian Hale

Adrian Hale

Head of the Bailiwick of Guernsey Financial Intelligence Service

November 2019

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.

The Role

- The FIS is the competent authority within the Bailiwick of Guernsey for the receipt of Suspicious Activity Reports (SARs). Information received is analysed by the FIS, and intelligence from this analysis is then disseminated to overseas competent authorities, Bailiwick Law Enforcement and other government and regulatory authorities in order to combat financial crime, and in particular, money laundering, terrorist financing and proliferation financing.

Strategic Aims

- To provide quality intelligence with regards to all aspects of financial crime investigations with the emphasis on: combating money laundering, countering the financing of terrorism and countering the financing of proliferation.
- To undertake, in the case of acquisitive criminal investigations, parallel financial 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.
- To undertake strategic analysis to identify the threat and risk of financial crime, and in particular, money laundering, terrorist financing and proliferation financing.

Objectives

- To facilitate the receipt of SARs from reporting entities.
- To develop, analyse and disseminate financial intelligence in a timely and effective manner to other competent authorities both domestically and internationally.
- To obtain feedback as to the use and effectiveness of financial intelligence provided by the FIS to other competent authorities both domestically and internationally.
- To support domestic financial and economic crime teams by developing financial crime intelligence, and in particular, information relating to money laundering, terrorist financing and proliferation financing, for use in investigations.
- 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.

STATISTICS: SARS - TYPE

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. The suspicion of terrorism is reported under The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002.

Operational analysis conducted by the FIS identifies targets (e.g. persons, assets, criminal networks), possible proceeds of crime and the links between them. Intelligence from this analysis is disseminated to multiple competent authorities both internationally and domestically.

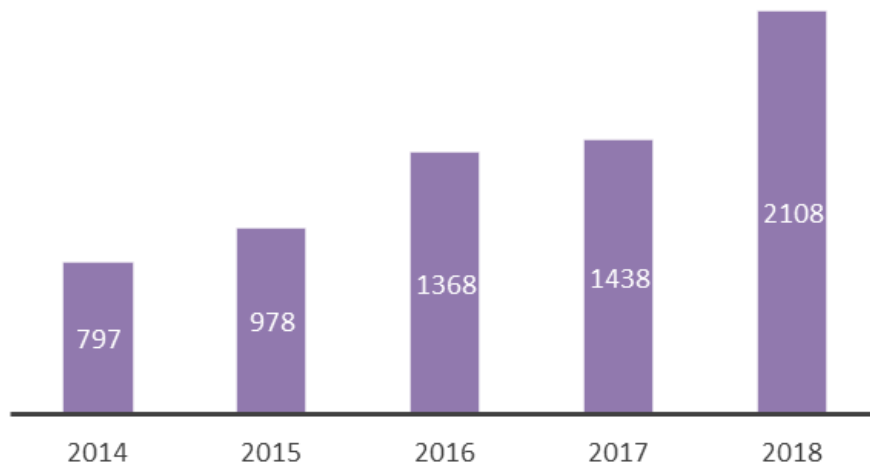


Figure 1: Total number of SARs reported to the FIS 2014 - 2018

The annual level of SARs received is increasing year on year. As shown in Figure 1, 2,108 SARs were received in 2018, representing an increase of 47% on the number received in 2017. This is owing to an increase in the reporting of suspicion by the e-gambling/e-gaming sector. Analysis by the FIS has identified this sector as a low risk for money laundering in this jurisdiction. The rise in the number of SARs received reflects an increasingly diligent and risk-based approach to reporting in this sector.

SARs RECEIVED BY TYPE	2014	2015	2016	2017	2018
The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002	4	3	8	19	12
The Disclosure (Bailiwick of Guernsey) Law, 2007	793	975	1360	1419	2096

STATISTICS: SARS - SECTOR

The FIS received 2,108 SARs in 2018. These were submitted by a wide range of sectors including regulated entities; non-regulated entities, regulatory authorities and high value dealers.

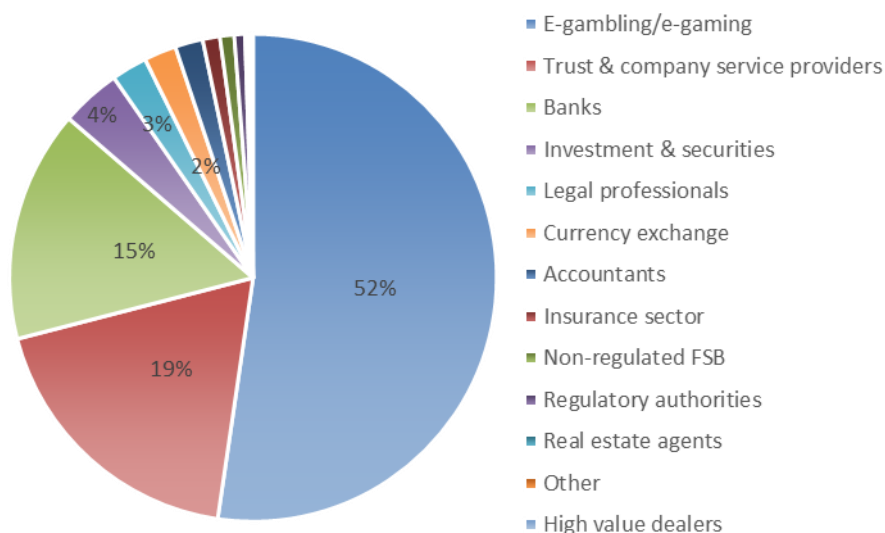


Figure 2.1: SARs submitted to the FIS by sector

As shown in Figure 2.1, over 50% of SARs were received from the e-gambling/e-gaming sector, followed by trust and company service providers (19%) and banks (15%). The large majority of the SARs received from the e-gambling/e-gaming sector originated from e-casinos (category 1 e-gambling licensees), as expected.

The FIS, in conjunction with the Alderney Gambling Control Commission, provides regular training to the e-gambling/e-gaming sector and a risk-based approach is being adopted by licensees. As stated above, the rise in the number of SARs received reflects an increasingly diligent and risk-based approach to reporting in this sector.

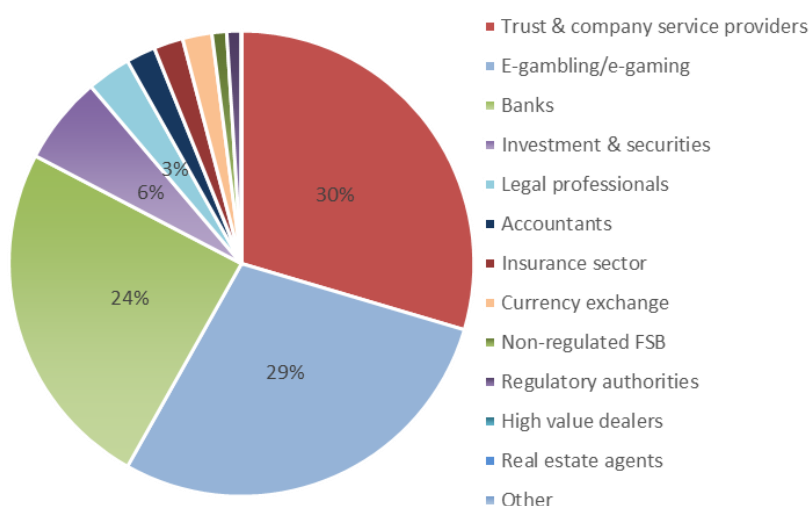


Figure 2.2: Percentage of SARs submitted to the FIS by sector 5 year average (2014 to 2018)

As shown in Figure 2.2, approximately 53% of the five year average number of SARs originated from trust and company service providers and banks. This is as expected and reflects the following factors: the highly international nature of work within these sectors, which involves persons from multiple jurisdictions; the high value wealth management involved in a large proportion of these relationships; the use of legal persons and legal arrangements, sometimes in complex structures within the relationships.

STATISTICS: SARS - RESIDENCY

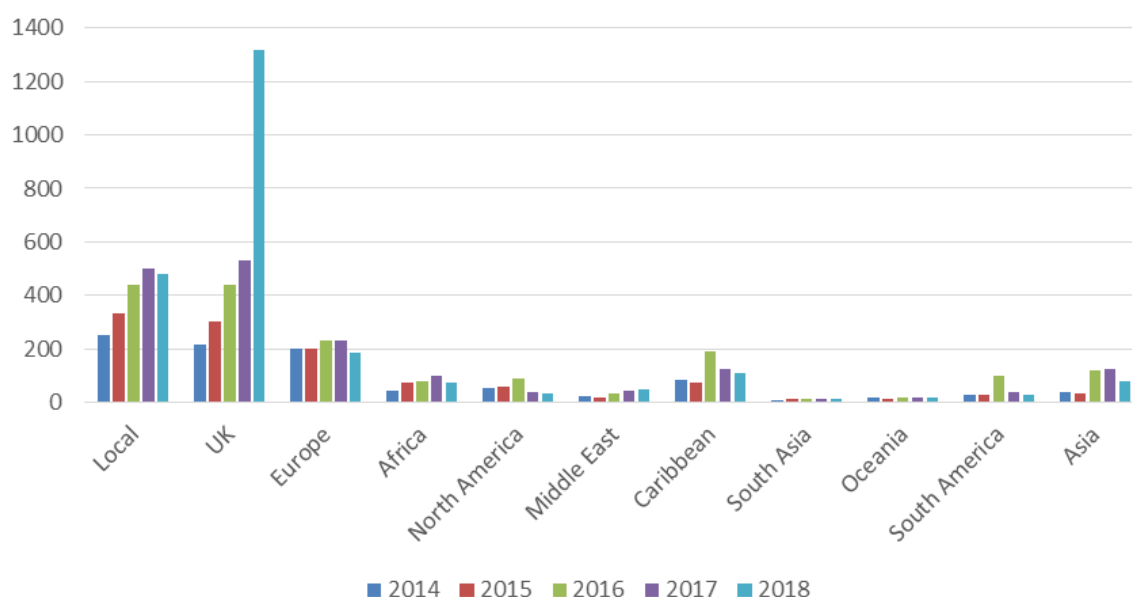


Figure 3: Number of SARS submitted to the FIS with subjects resident in each area

As shown in Figure 3, the primary area of residence of subjects in SARs received is the UK (51%), followed by local (19%) which includes residents of the Channel Islands, (Bailiwick of Guernsey and Jersey).

In 2018, there was a percentage increase of over 148% in UK subjects within SARs compared to 2017. This increase was due to an increase in SARs submitted by the e-gambling/e-gaming sector. The subject or subjects were identified as residing within the UK in the majority of these SARs.

The number of subjects resident within Europe has dropped consistently over the five years, whilst the number of local subjects has dropped in 2018 compared to 2017.

STATISTICS: SARS - SUSPECTED CRIMINALITY

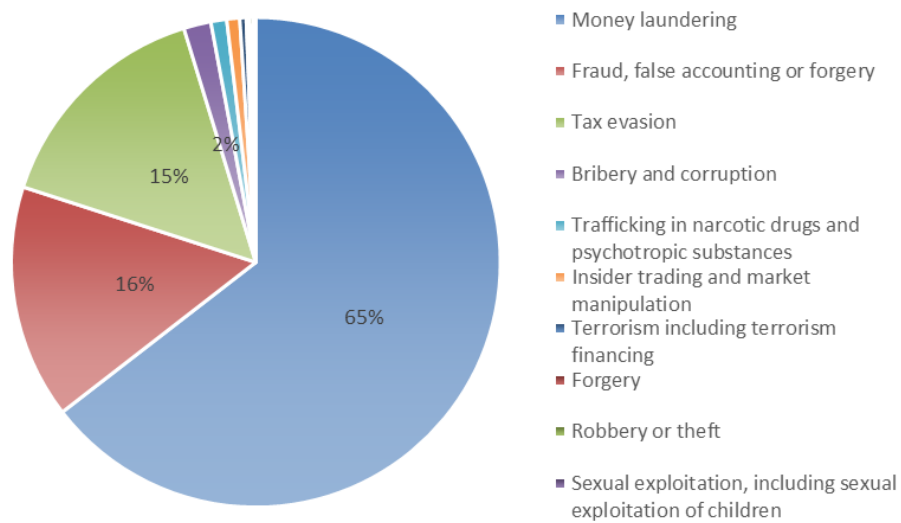


Figure 4.1: Percentage of suspected criminality of SARs submitted to the FIS in 2018

As shown in Figure 4.1, money laundering was by far the most commonly reported suspected criminality in 2018 (65%), followed by fraud, false accounting or forgery (16%), and tax evasion (15%). This represents a change from 2017, in which year there were more reports of suspected tax evasion than there were of suspected fraud, false accounting or forgery.

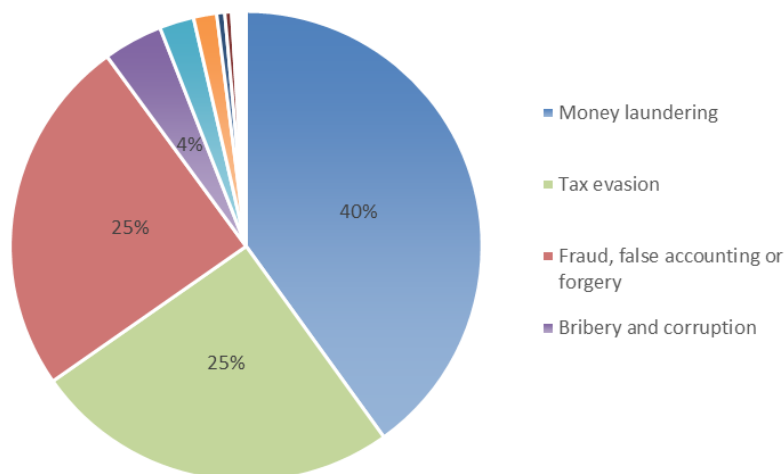


Figure 4.2: Percentage of SARs submitted to the FIS by criminality 5 year average (2014 to 2018)

The four types of suspected criminality reported most frequently in the five year period 2014—2018 remain consistent with previous years. These are money laundering, tax evasion, fraud, false accounting or forgery and bribery and corruption.

STATISTICS: SARS - NON-PROFIT ORGANISATION/CHARITIES

As shown in Figure 5.1, there was an increase in the number of SARs received with links to non-profit organisations (NPOs) or charities, from 6 in 2017 to 16 in 2018. However, it is worth noting that there were 15 SARs with links to non-profit organisations (NPOs) or charities received in 2016. The majority of the SARs which identified such links were UK based charities, with only 3 charities based in Guernsey. The number of SARs received with a link to a NPO/charity remains low.

The FIS disseminated intelligence to the UK Financial Intelligence Unit and to local law enforcement on NPO linked SARs received in 2018.

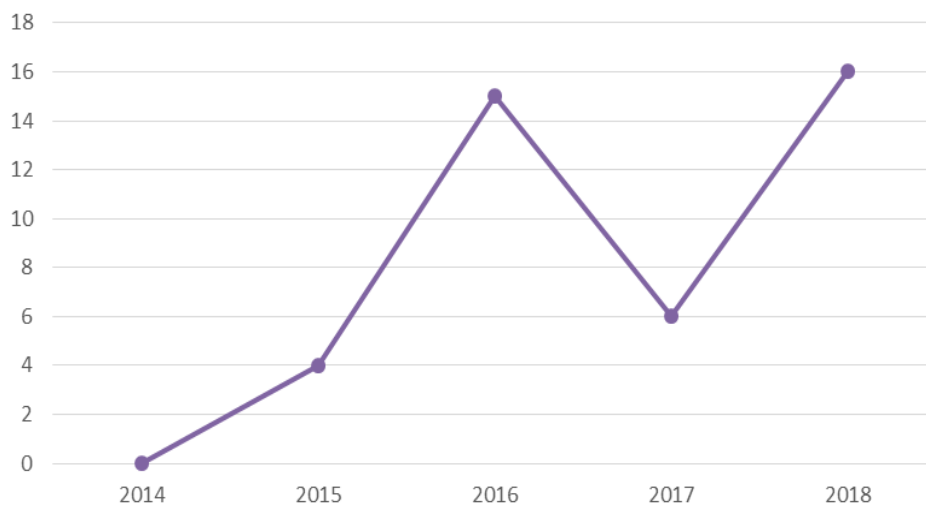


Figure 5.1: Number of SARs identified with a link to NPOs or Charities 2014-2018

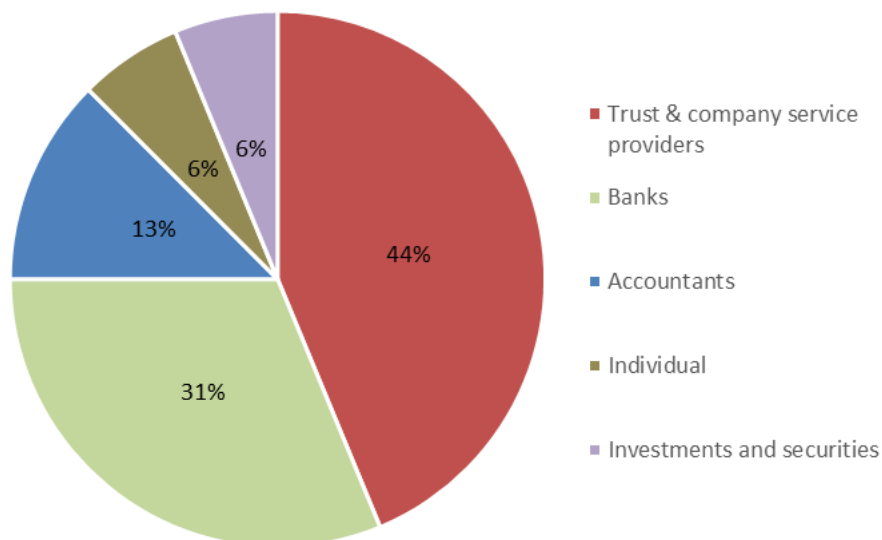


Figure 5.2: Percentage of sectors reporting NPO or Charity linked SARs to the FIS

As shown in Figure 5.2, 44% of all NPO/charity linked SARs were received from the trust and company service providers sector.

STATISTICS: SARS - TERRORISM

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

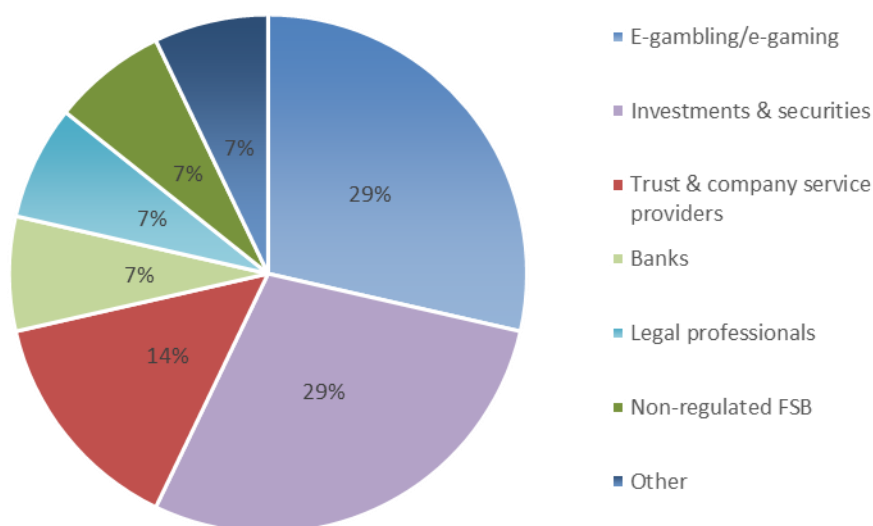


Figure 6: Percentage of SARS reported to the FIS in 2018 linked to terrorism

Analysis of all SARs received by the FIS in 2018, identified a total of 14 SARs with a link to terrorism or terrorist financing. 10 of these SARs were disclosed under the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 and 4 were disclosed under the Disclosure (Bailiwick of Guernsey) Law, 2007.

As shown in Figure 6, the e-gambling/e-gaming and investment and securities sectors submitted 29% each of these SARs, followed by 14% from trust and company service providers. The reporting of suspicion by banks, legal professionals and the non-regulated sector is low with these only reporting 7% respectively, which equates to 1 SAR each.

The number of SARs submitted in relation to terrorism or terrorist financing remains low, and as such clear trends have not been identified.

The FIS disseminated spontaneous intelligence reports to competent authorities both locally and internationally. To date, these disseminations have not led to any follow-up requests for assistance. There is no indication in the SARs of Guernsey being used as a conduit by business relationships for terrorist financing or proliferation financing. This is based on analysis both of funds emanating from business relationships and of funds flowing to those relationships.

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 or family member of such a person.

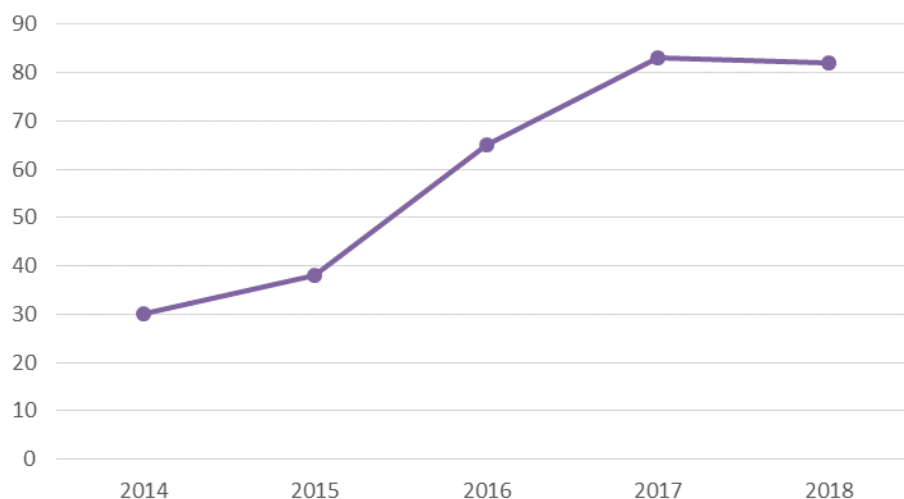


Figure 7.1: Total number of SARs reported to the FIS (2014 and 2018), that are linked to PEPs

The number of SARs identified with a PEP link has remained consistent in 2018 compared to 2017. Trust and company service providers continue to submit the highest proportion of PEP linked SARs (39%), followed by banks (29%), and investments and securities (10%). This is as expected, and reflects the highly international nature of work within these sectors, which involves persons from multiple jurisdictions.

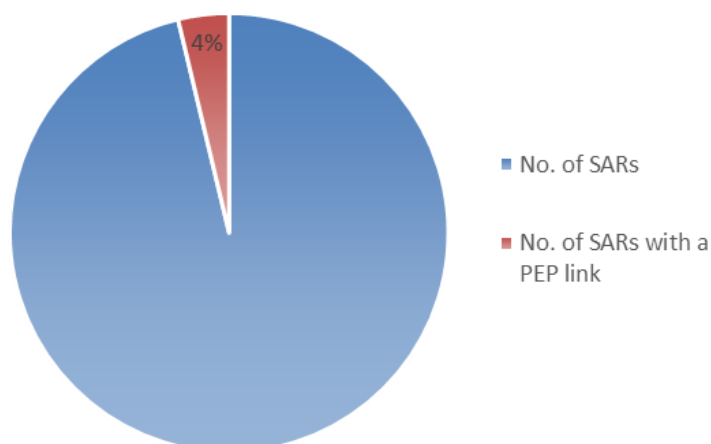


Figure 7.2: Percentage of PEP linked SARs reported to the FIS

As shown in Figure 7.2, approximately 4% of the SARs received in 2018 identified a link with a Politically Exposed Person.

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 2018 they comprised approximately 8% of the annual SARs received. This represents a decrease of approximately 25% from 2017.



Figure 8.1: Reporting of attempted transaction by sector to the FIS

As shown in Figure 8.1, approximately 70% of the reported attempted transactions received by the FIS were submitted by banks or trust and company service providers. The majority of these transactions were declined.

As shown in Figure 8.2, of the attempted transactions reported to the FIS, over half related to suspected fraud, false accounting and forgery. The majority of the remaining attempted transactions reported were regarding suspicion of money laundering and tax evasion.

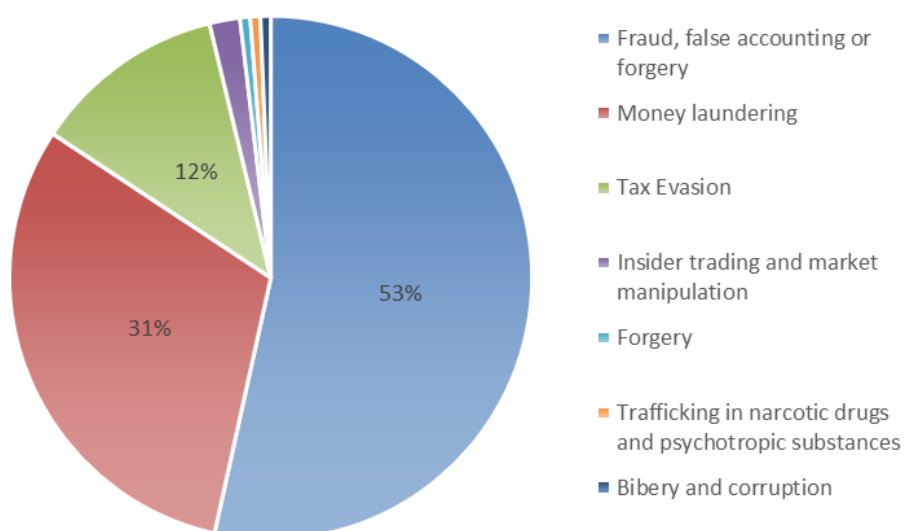


Figure 8.2: Suspected criminality of attempted transactions SARs reported to the FIS

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; Sections 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 its regulatory requirements.

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

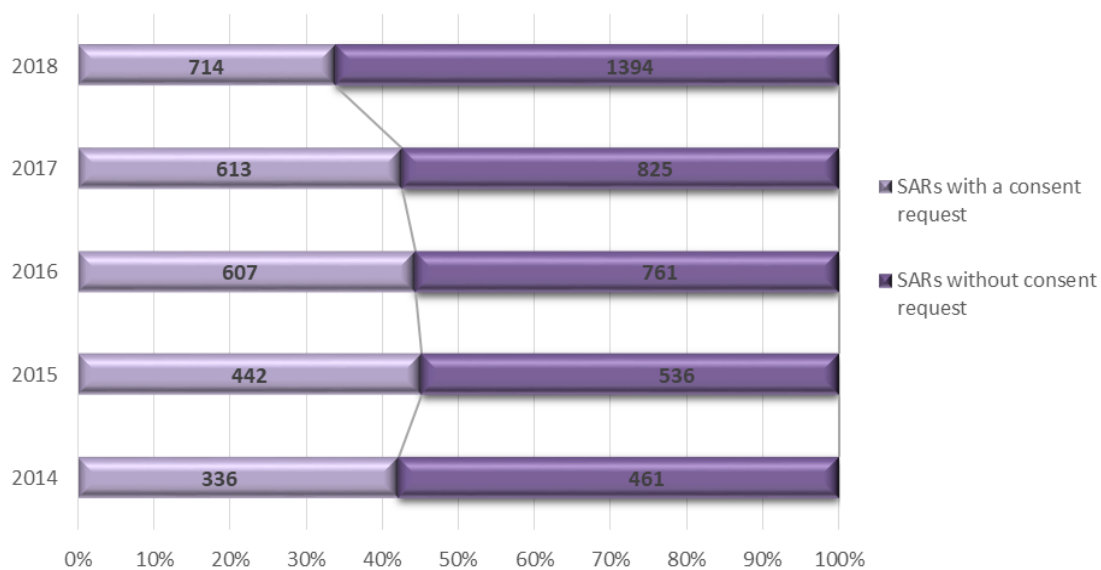


Figure 9: Total number of SARs received with a consent request

Figure 9 shows the number of SARs received annually which included a request for consent pursuant to the law. As shown, in 2018 there was a slight decrease in initial submissions with consent requests attached.

As well as a consent request submitted at the same time as the SAR, consent requests can be subsequently submitted regarding an existing SAR. This means that a SAR may have more than one consent request attached to it, and requests may be submitted regarding SARs received in previous years.

In total, the FIS received and responded to 1,490 consent requests linked to SARs received by the FIS from 2011 to 2018.

In 2018 'consent' was granted in respect of 78% of the SARs, 19% received '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. They must, furthermore, 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 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 2018 were related to domestic criminality where coercive powers to obtain evidential material were used.

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.

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



Figure 10: Total number of Regulation 2 and 2a letters issued by the FIS for the years 2014 to 2018.

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

STATISTICS: SARS - DISSEMINATIONS

In 2018, a total of 907 spontaneous disseminations were made to approximately 100 different FIUs or enforcement agencies. Figure 11 shows the range of countries that have received the disseminations from the FIS. The major area for international dissemination was the UK (216). The UK authorities who receive information included the UK Financial Intelligence Unit (181), the National Crime Agency, the Financial Conduct Authority, the Serious Fraud Office, HM Revenue and Customs and various other Law Enforcement agencies across the UK.

Other areas to receive a significant number of disseminations included the USA (44), South Africa (39), Indonesia (32), Jersey (29), Switzerland (22) and Italy (20).

Approximately 25% of the total disseminations were made to domestic authorities, including Guernsey Law Enforcement (102), the Guernsey Financial Services Commission (88), and Guernsey Inland Revenue (31).

The pattern of disseminations from the FIS indicates that the SARs received refer mainly to activities abroad, which reflects the character of the business in Guernsey.

	2014	2015	2016	2016	2018
Total SARs	797	978	1368	1438	2108
Domestic disseminations	90	132	208	144	233
International disseminations	520	539	868	824	674
Total number of disseminations	610	671	1076	968	907

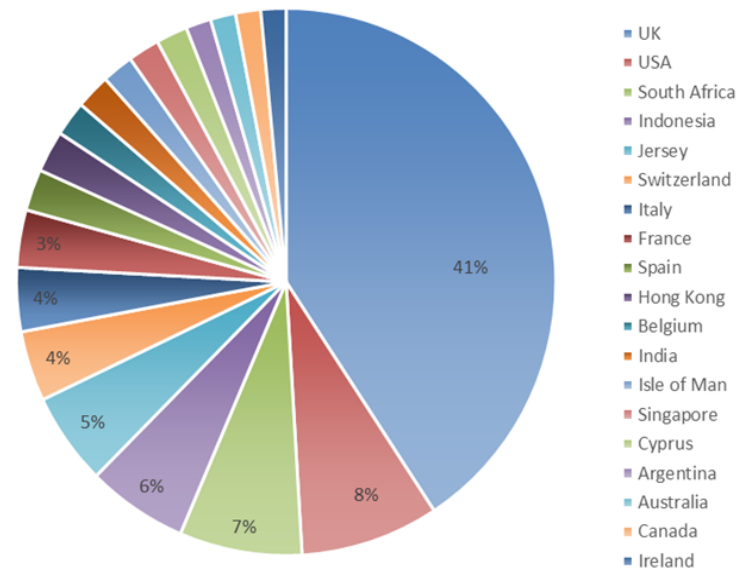


Figure 11: The distribution of countries that have received spontaneous disseminations from the FIS in 2018

STATISTICS: INTERNATIONAL REQUESTS

The FIS exchanges information freely, spontaneously and upon request with foreign Financial Intelligence Units. 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 34 different jurisdictions. MOU signings in 2018 included Anguilla, Saint Lucia, Turks and Caicos Islands, Dominica and Saint Vincent and the Grenadines.

As a member of the Egmont Group, the FIU is able to send requests for assistance 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 assistance 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.

In 2018, the FIS sent 35 requests for financial information to 25 jurisdictions via the ESW, including Andorra, Angola, Austria, Bangladesh, Belgium, BVI, Cyprus, Czech Republic, France, Gibraltar, Guatemala, Hong Kong, Italy, Kuwait, Latvia, Netherlands, Panama, Peru, Serbia, South Africa, Spain, Switzerland, UAE, UK, and Ukraine.

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.

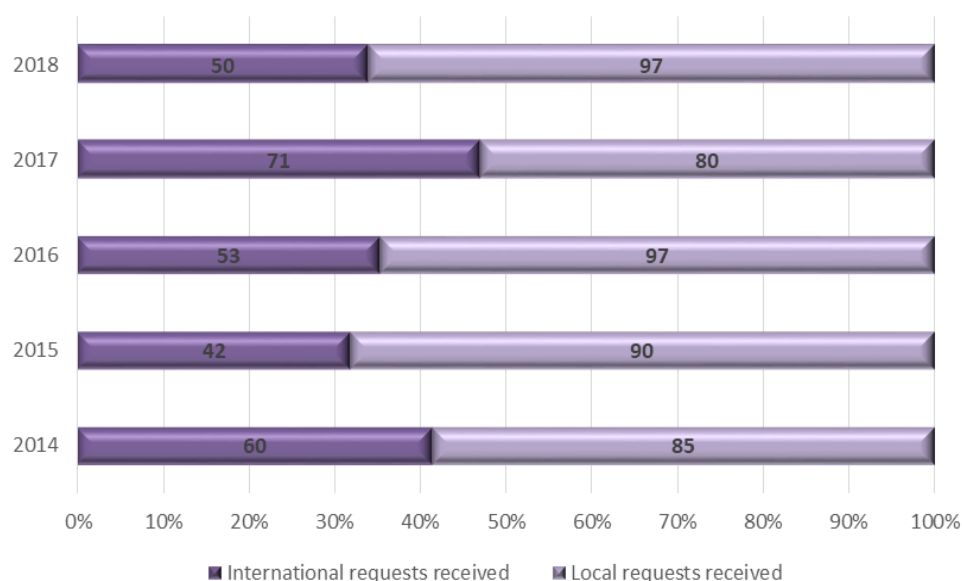


Figure 12: Total number of requests received by the FIS from both international and domestic authorities

147 requests for assistance were received by the FIS from jurisdictions including Belgium, BVI, Cyprus, Czech Republic, Denmark, France, Ghana, Gibraltar, Greece, India, Ireland Isle of Man, Italy, Jersey, Luxembourg, Malta, Netherlands, Paraguay, Russia, South Africa, Spain, Ukraine, UK and Guernsey Law Enforcement.

A decrease in the number of requests for assistance can be seen in 2018 when compared with the number received in 2017. However, the number remains consistent with previous years.

The most frequently identified predicate offences within the requests received were fraud, false accounting and forgery, money laundering, and trafficking in narcotic drugs and psychotropic substances.

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.

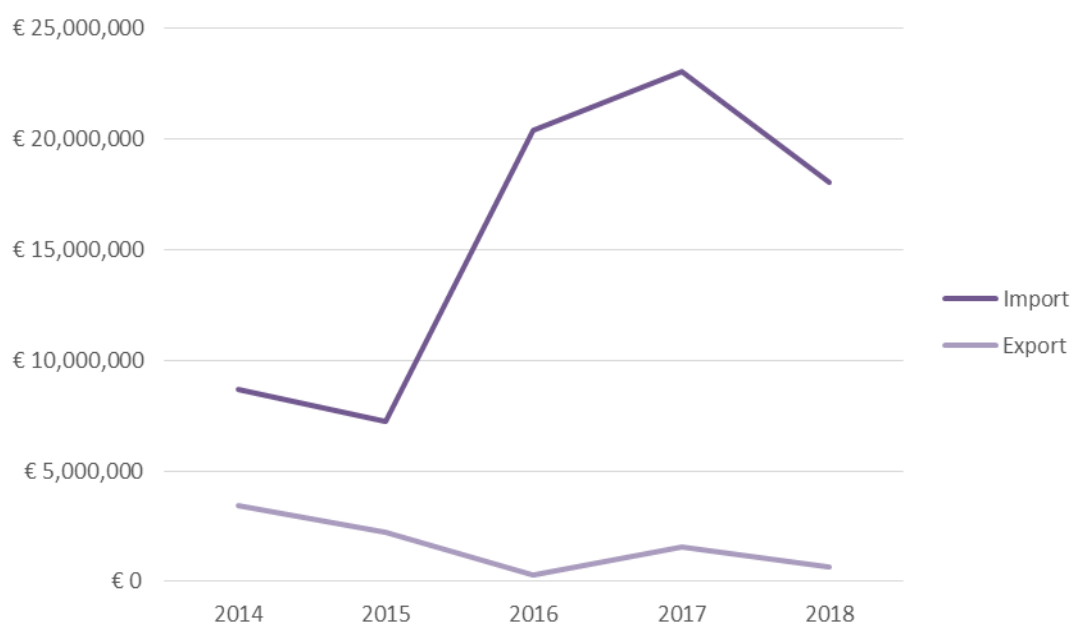


Figure 13: Value of import and export declarations made under the Cash Controls Law (2014 - 2018)

Total number of declarations & method of import & export of cash from the Bailiwick 2014 - 2018			
	Total	Import	Export
2014	120	65	55
2015	116	62	54
2016	107	72	35
2017	99	53	46
2018	92	66	*26

*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. This explains 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.

Operational multidisciplinary collaboration

The FIS continues 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.

International sanctions legislation

The FIS continues to share EU Council Regulations and other international sanctions matters implemented within the Bailiwick. In 2018 the FIS facilitated the distribution of 93 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.

Information on Counter Terrorist Financing Project - Lone Actors & Small Cells :

<https://egmontgroup.org/en/content/new-publication-counter-terrorist-financing-project-lone-actors-and-small-cells-public>

Information on FATF's strategy on combating terrorist financing :

<http://www.fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html>

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