



Bailiwick of Guernsey
Financial Intelligence Service

Suspicious Activity Reports Annual Report 2019

Table of Contents

Foreword	3
The Financial Intelligence Service	4
Statistics: SARs - Type	5
Statistics: SARs - Sector	6
Statistics: SARs - Residency	7
Statistics: SARs - Suspected criminality	8
Statistics: SARs - Non-profit organisations/charities	9
Statistics: SARs - Terrorism, including terrorist financing	10
Statistics: SARs - Politically exposed person	11
Statistics: SARs - Attempted transactions	12
Statistics: SARs - FIS Action provisional measures	13
Statistics: SARs - Regulation 2 , Regulation 2A and Regulation 2 (11A)	14
Statistics: SARs - Disseminations	15
Statistics: International requests	16
Cross border transportation of currency & bearer negotiable instruments	17
Contact details	18

FOREWORD

I am pleased to present the Bailiwick of Guernsey Financial Intelligence Service Annual Report for 2019.

Money laundering, terrorist financing, and proliferation financing continue to have overarching 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.

The annual level of SARs received continues to increase each year. The FIS received 2,441 SARs in 2019, an increase of 16% on the number received in 2018, and an increase of 150% on the number of SARs received in 2015. The increase is due to the large number of SARs received by the e-gambling/e-gaming sector, which was the continuation of the trend of 2018.

The information obtained from the analysis of SARs and the dissemination to other competent authorities continues to be 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 effective framework for combatting money laundering and countering the financing of terrorism and proliferation. It is therefore crucial that the FIS obtain qualitative information from reporting entities and to enhance the effective reporting regime the FIS published guidance on Improving the Quality of SARs to Reporting Entities in October 2019.

The FIS also continues to undertake operational and strategic analysis, using the information provided in SARs and other sources to identify the level of 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 Bailiwick anti-money laundering and combating terrorist financing (AML/CFT) authorities have been instrumental in coordinating and compiling the Bailiwick's National Risk Assessment (NRA) which was published in February 2020. The FIS provided a number of case studies which form a fundamental part of the NRA.

The Bailiwick of Guernsey implemented new legislation in July 2019 which extended the powers of the FIS to obtain additional information from the finance sector. The FIS subsequently published guidance on Requests for Additional Information to Reporting Entities in October 2019.

The FIS continues to work with other AML/CFT authorities and the private sector to detect and disrupt the financial flows of terrorists and terrorist organisations including; providing risk indicators in identifying, assessing and understanding terrorist financing risk and addressing that risk effectively.

The FIS is proud to work collaboratively with other FIUs, law enforcement agencies, regulator(s), other Government departments and public-private partners in the fight against financial crime, and is pleased to present this 2019 report on Suspicious Activity Reporting. The FIS will continue to engage with all key stakeholders including providing guidance, outreach, and training together with other authorities in 2020.

Adrian Hale

Adrian Hale

Head of the Bailiwick of Guernsey Financial Intelligence Service

May 2020

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 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 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 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.

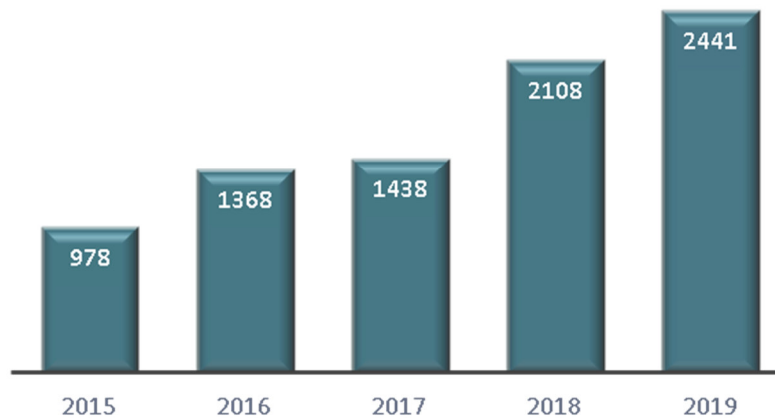


Figure 1: Total number of SARs reported to the FIS (2015 - 2019)

The annual level of SARs received has once again increased. As shown in Figure 1, a total of 2,441 SARs were received in 2019 representing an increase of 16% on the number received in 2018, and an increase of 150% on the number received in 2015. The increase is due to the large number of SARs, (62%) received by the e-gambling/e-gaming sector.

Analysis identified that the average number of SARs received per month in 2019 was 204. The highest number of SARs received within a month was September (229) and the lowest was June (170).

SARs received by type	2015	2016	2017	2018	2019
The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002	3	8	19	12	30
The Disclosure (Bailiwick of Guernsey) Law, 2007	975	1360	1419	2096	2411

STATISTICS: SARS - SECTOR

A total of 2,441 SARs were received by the FIS in 2019. As shown in Figure 2.1, approximately 62% were received from the e-gambling/e-gaming sector, followed by trust and company service providers (16%) and banks (13%).

The number of reporting licensees within the e-gambling/e-gaming sector have decreased year on year. However, the main licensee identified in 2019 accounted for 46% of the total SARs received. Analysis identified that this licensee has a large client base, with high volumes of cross border business mainly with the UK which accounts for the consistent high level of reporting.

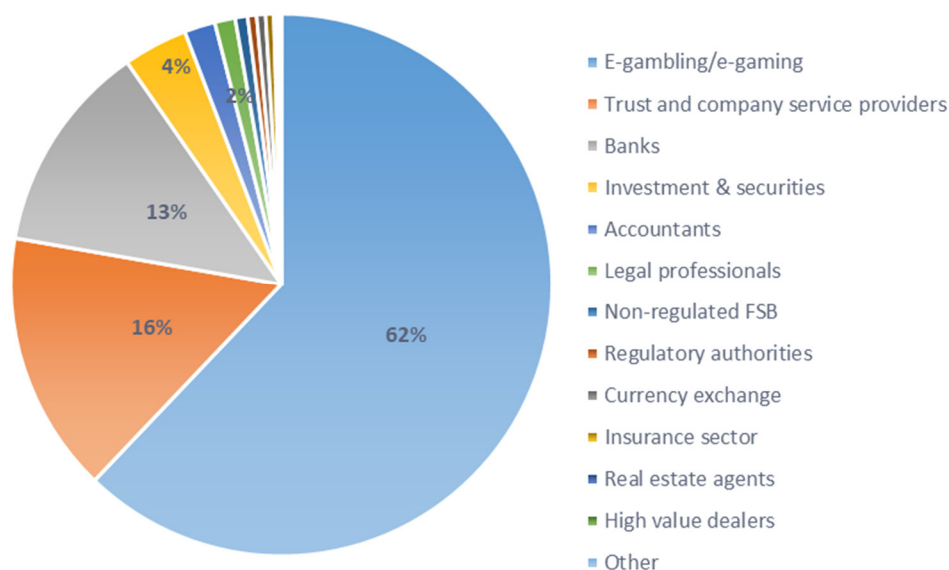


Figure 2.1: Percentage of SARs submitted to the FIS by sector

Figure 2.2 shows approximately 52% of the five year average number of SARs originated from trust and company service providers, banks and the investment and securities sector. This is expected and reflects the highly international nature of work within these sectors, which generally involves persons from multiple jurisdictions.

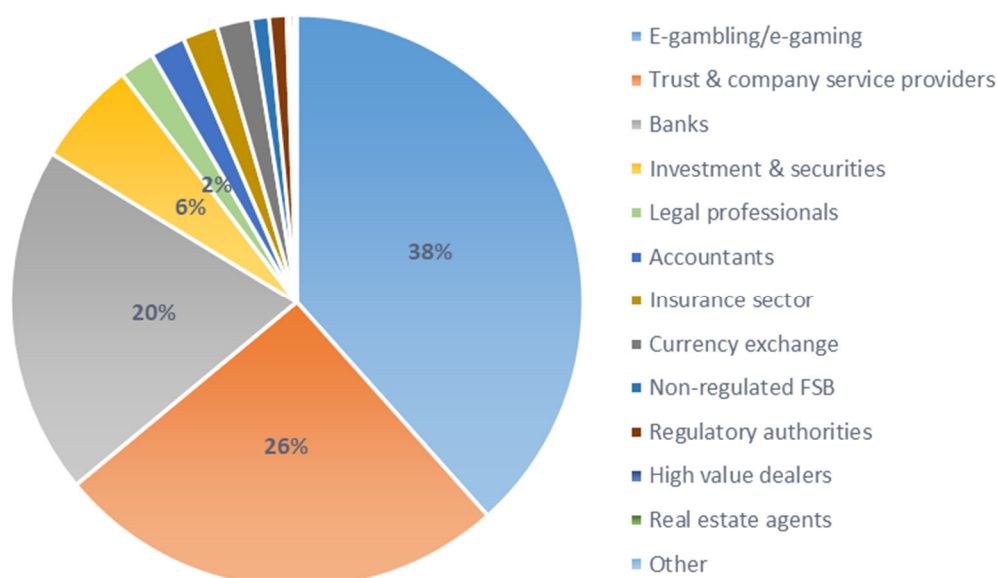


Figure 2.2: Percentage of SARs submitted to the FIS by sector 5 year average (2015 - 2019)

STATISTICS: SARS - RESIDENCY

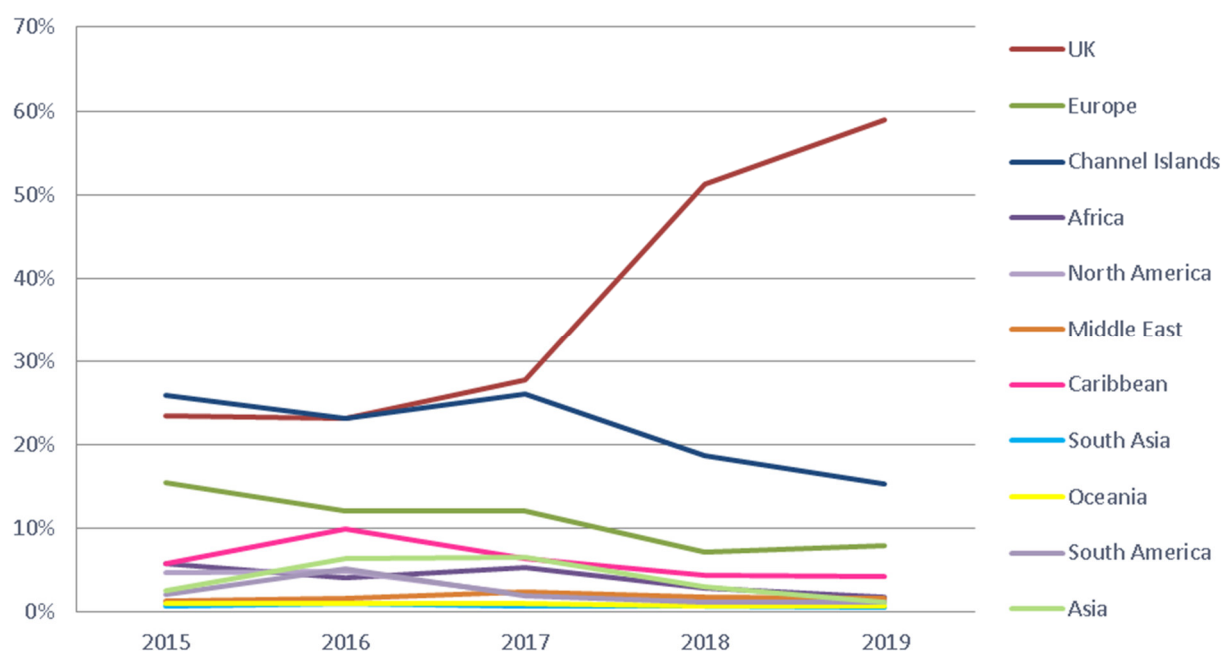


Figure 3: Percentage of residence of subjects of SARs submitted to the FIS (2015 - 2019)

As shown in Figure 3, the primary area of residence of subjects in SARs received is the UK, (59%) followed by Channel Islands (15%) which includes residents of the Bailiwick of Guernsey and Jersey and then Europe (8%).

The increase in UK subjects has continued to surge since 2016, with the utmost numbers seen in 2019. This is due to the increase of SARs submitted by the e-gambling/e-gaming sector who have a large client base, with high volumes of cross border business mainly within the UK.

The number of subjects resident within the Channel Islands has dropped slightly since 2017, whilst the number of subjects resident within Europe has remained consistent over the past couple of years.

STATISTICS: SARS - SUSPECTED CRIMINALITY

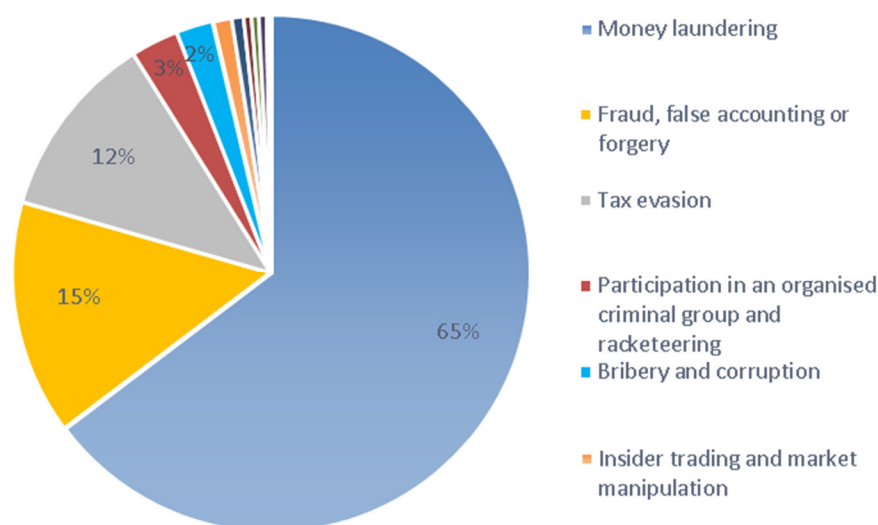


Figure 4.1: Percentage of suspected criminality of SARS submitted to the FIS in 2019

As shown in Figure 4.1, money laundering was by far the most commonly reported suspected criminality in 2019 followed by fraud, false accounting or forgery and tax evasion. This remains the same as seen in 2018. Participation in an organised criminal group and racketeering was identified within 3% (73) of the total SARs received in 2019. Of these 73 SARs, the vast majority were identified to be reported from the e-gambling/e-gaming sector.

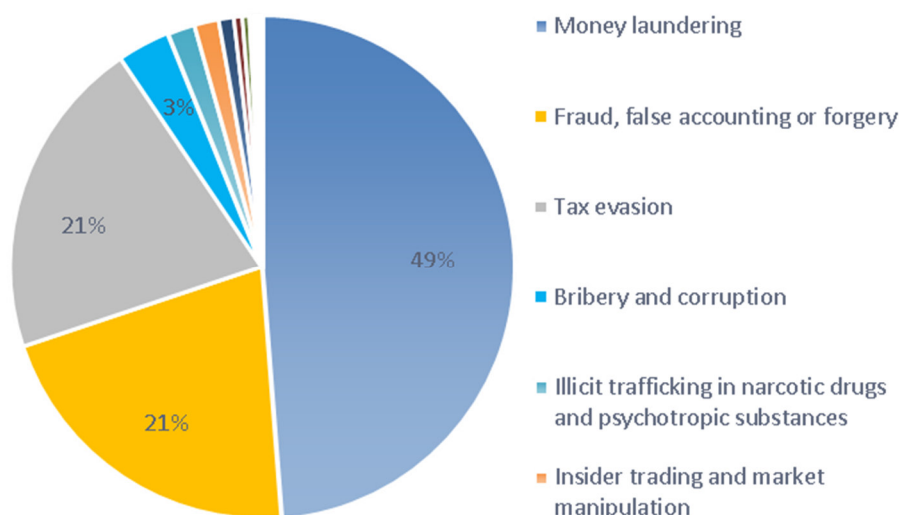


Figure 4.2: Percentage of SARs submitted by criminality 5 year average (2015 - 2019)

The four types of suspected criminality reported most frequently in the five year period (2015 - 2019) remain consistent with previous years. These are money laundering, fraud, false accounting or forgery, tax evasion and bribery and corruption.

STATISTICS: SARS - NON-PROFIT ORGANISATION/CHARITIES

As shown in Figure 5.1, there was a decrease in the number of SARs received with links to non-profit organisations (NPOs) or charities, from 16 in 2018 to 10 in 2019. The majority of these SARs related to UK charities as the beneficiaries of trusts. In these cases, the subject of suspicion was usually the settlor of the trust, rather than the charity which was its beneficiary. The number of SARs received with a link to NPOs remains low.

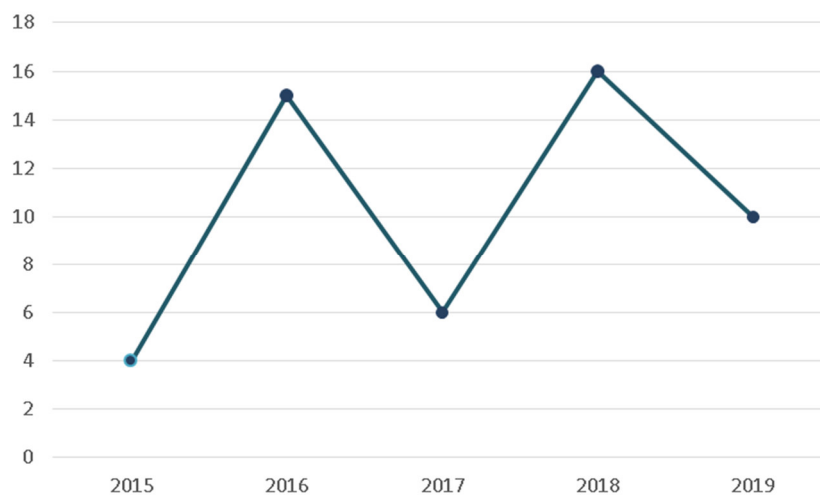


Figure 5.1: Number of SARs identified with a link to NPOs or Charities (2015 - 2019)

Analysis of these SARs suggest the NPOs/charities linked are not being used for terrorist financing or money laundering. However, global concern is that NPOs are vulnerable to terrorist financing, and concern has also been expressed about the use of NPOs for tax frauds or fraudulent purposes which could involve money laundering. Guernsey acknowledges the possibility that funds raised or donations to internationally active NPOs could potentially be diverted to terrorists. To date there have been no known cases and the likelihood of this occurring is considered low.

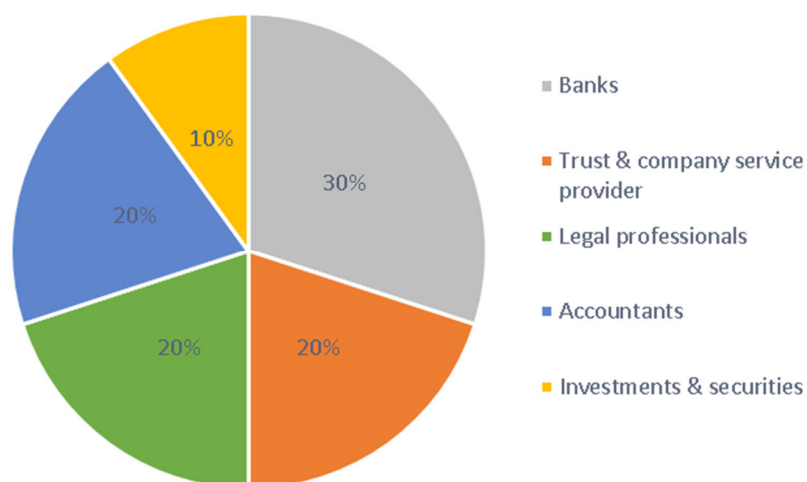


Figure 5.2: Percentage of sectors reporting NPO or Charity linked SARs to the FIS

As shown in Figure 5.2, 30% of all NPO or Charity linked SARs were received from the bank sector.

STATISTICS: SARS - TERRORISM, INCLUDING TERRORIST FINANCING

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.

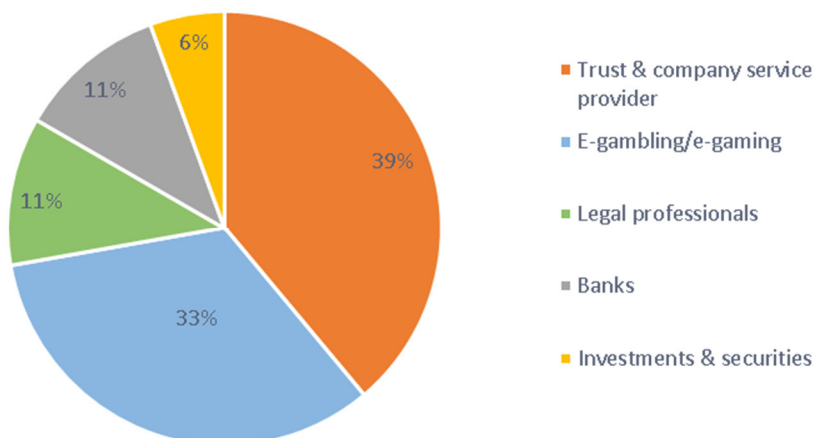


Figure 6: Percentage of SARs reported to the FIS in 2019 linked to terrorism, or terrorist financing

Analysis of all SARs received by the FIS in 2019, identified a total of 18 SARs with a link to terrorism or terrorist financing of which 14 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 trust and company service providers submitted 39% of these SARs followed by 33% by the e-gambling/e-gaming sector, while legal professionals and banks submitted 11% respectively which equates to two SARs each.

The FIS disseminated spontaneous reports to competent authorities both locally and internationally in relation to these SARs received. To date these disseminations have not led to any follow-up requests for assistance.

The number of SARs submitted in relation to terrorism or terrorist financing remains low, and as such clear trends are difficult to identify.

The Bailiwick of Guernsey 2019 National Risk Assessment Report¹ on money laundering and terrorist financing identifies two potential terrorist financing risks relating to activity outside Guernsey, namely;

- funds that are provided or invested by parties in Guernsey in good faith subsequently being diverted to support foreign terrorism; or
- Guernsey's cross-border products and services being used by parties outside the jurisdiction to fund foreign terrorism.

Institutions are also advised to familiarise themselves with the terrorist financing case studies available on the FATF website, such as the 2015 Report on Emerging Terrorist Financing Risks.

¹The Bailiwick of Guernsey 2019 National Risk Assessment Report on money laundering and terrorist financing:-
<https://gov.gg/CHttpHandler.ashx?id=123308&p=0>

STATISTICS: SARS - POLITICALLY EXPOSED PERSON

A Politically Exposed Person (PEP)² means a natural person who is or has been entrusted with prominent public functions by any country or any close business associate or family member of such a person. The Bailiwick of Guernsey recognises that domestic PEPs have less risk than PEPs in foreign countries and reporting obligations under the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 reflect this fact.



Figure 7.1: Total number of SARs reported to the FIS that are linked to PEPs (2015 - 2019)

The number of SARs identified with a PEP link has remained consistent in relation to the number of SARs received each year, averaging 4% per year, apart from in 2017 (6%), a slight rise was identified. Trust and company service providers continue to submit the highest proportion of PEP linked SARs (56%), followed by banks (23%). This is as expected and reflects the highly international nature of work within these sectors.

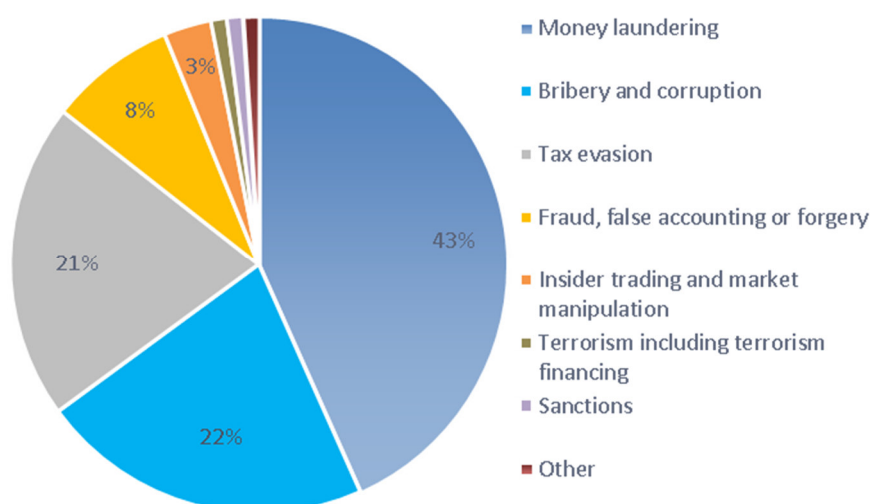


Figure 7.2: Percentage of suspected criminality of PEP linked SARs reported to the FIS

As shown in Figure 7.2, the SARs involving or linked to a PEP identified the most commonly reported suspected criminality to be money laundering followed by bribery and corruption and tax evasion.

²FATF guidance on PEPs:-

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

STATISTICS: SARS - ATTEMPTED TRANSACTIONS

The Financial Action Task Force (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 2019, they comprised approximately 9% of the annual SARs received. As shown in Figure 8.1, approximately 34% of the reported transactions received were submitted by trust and company service providers, banks (31%) and investments and securities (15%).

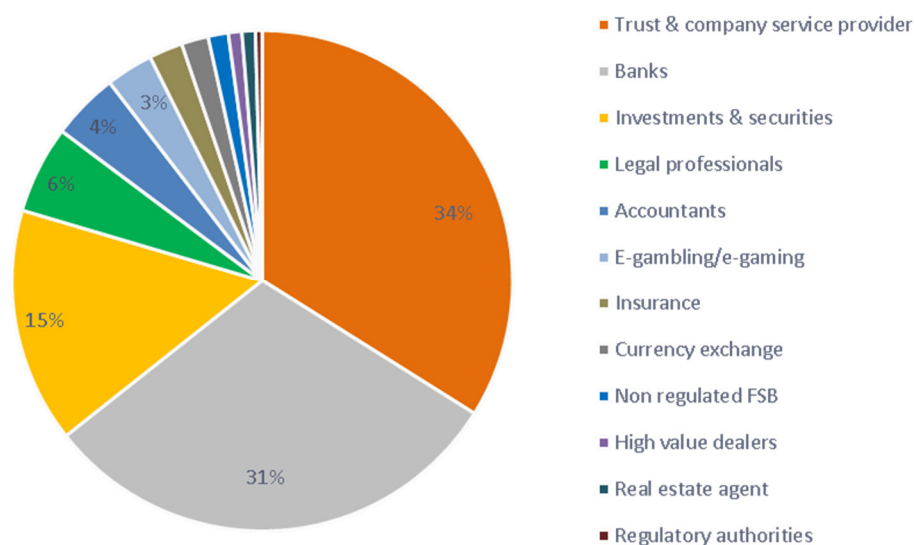


Figure 8.1: Reporting of attempted transaction by sector to the FIS

Figure 8.2 depicts that of the reported attempted transactions 36% of the SARs received relate to fraud, false accounting or forgery. Money laundering and tax evasion account for the majority of the remaining reported suspected criminalities of attempted transactions.

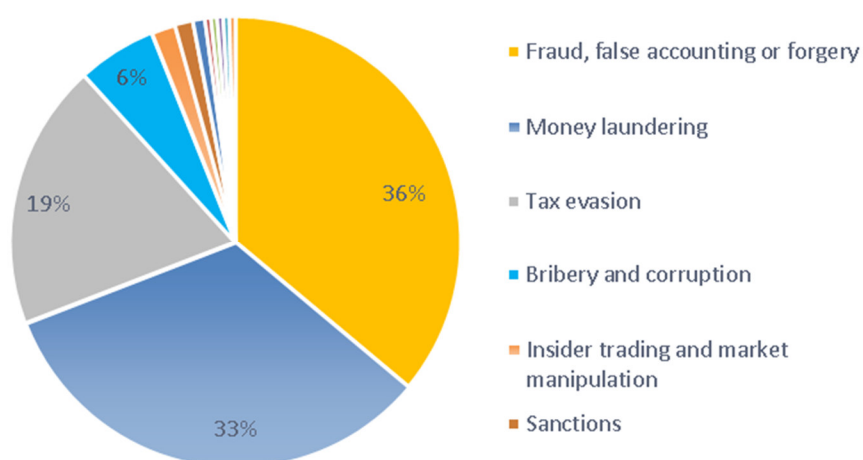


Figure 8.2: Suspected criminality of attempted transactions SARs reported to the FIS

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 above legislation, a request should be submitted as part of the disclosure (SAR) 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.

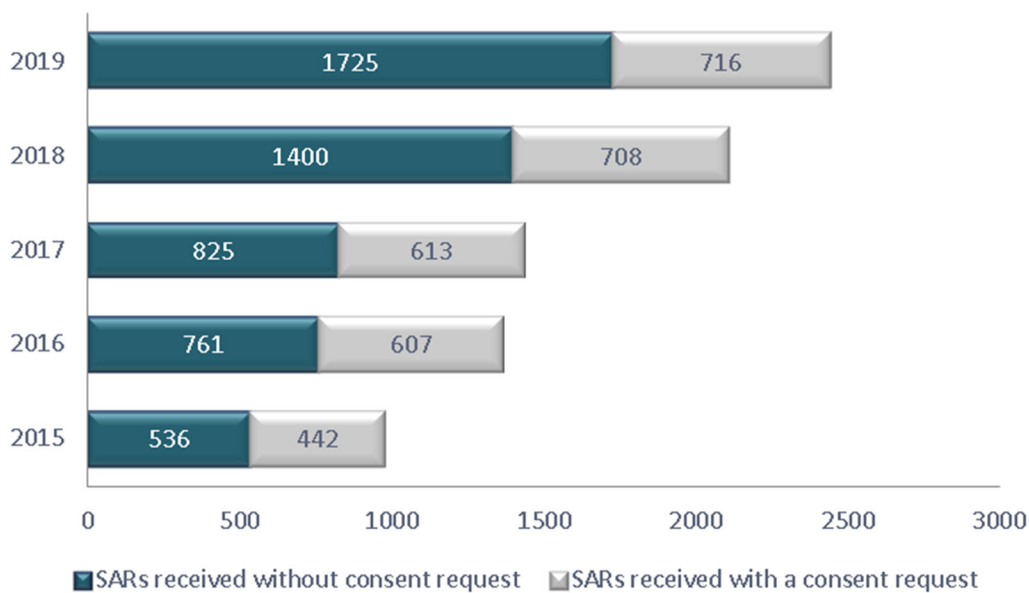


Figure 9: Total number of SARs received with a consent request (2015 - 2019)

Figure 9 shows the total number of SARs received annually which included a request for consent pursuant to the law. As shown in 2019, there was a decrease in initial submissions with consents requests. This is due to the vast number of SARs received in 2019 received from the e-gambling/e-gaming sector, however this sector were generally not submitting requests to undertake an 'act' that would constitute an offence pursuant to the above legislation.

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 submitted and consent requests may be submitted regarding SARs received in previous years.

In total, the FIS received and responded to 1,566 consent requests relating to 984 SARs received by the FIS from 2010 to 2019. 'Consent' was granted in respect of 75% of the requests received, 22% received a 'consent not applicable' response and approximately 2% received a 'no consent' response.

SARS: REGULATION 2, REGULATION 2A & REGULATION 2 (11A)

The FIS currently obtains additional information through statutory powers under the provisions of the Disclosure (Bailiwick of Guernsey) Regulations, 2007 commonly referred to as Regulation 2 and Regulation 2A requests.

The information obtained through the service of these requests is analysed to establish if any person is engaged in money laundering or that certain property is derived from the proceeds of criminal conduct. The Regulation 2 and 2A powers are limited in that they can only be utilised to obtain additional information identified in an existing SAR.

The Disclosure (Bailiwick of Guernsey) (Information) Regulations, 2019 introduced in July 2019, provides powers for the FIS to obtain additional information from any parties following a request made to the FIS by a party listed at Section 11A of the Law without the requirement for an initial SAR to be made under the law. These parties include domestic law enforcement authorities, other government bodies, regulatory bodies and other competent authorities (Financial Intelligence Units) and law enforcement agencies. The Regulations are in addition to the provisions under Regulation 2 and 2A.

The FIS will, on receipt of information submitted by parties in the form of a report/request, consider if obtaining the additional information requested is necessary or expedient for the FIS to discharge its functions as prescribed in the Law.

The FIS provided guidance³ to reporting entities on their obligation to apply with the Disclosure (Bailiwick of Guernsey) Law, 2007 and supporting Regulations in October 2019.

The FIS obtains additional information in order to identify specific targets, to follow the trail of particular activities or transactions, to determine links between targets and possible proceeds of crime, money laundering, predicate offences and terrorist financing, and to perform strategic analysis to identify money laundering and terrorist financing related trends and patterns in line with International standards set by the Financial Action Task Force (FATF).

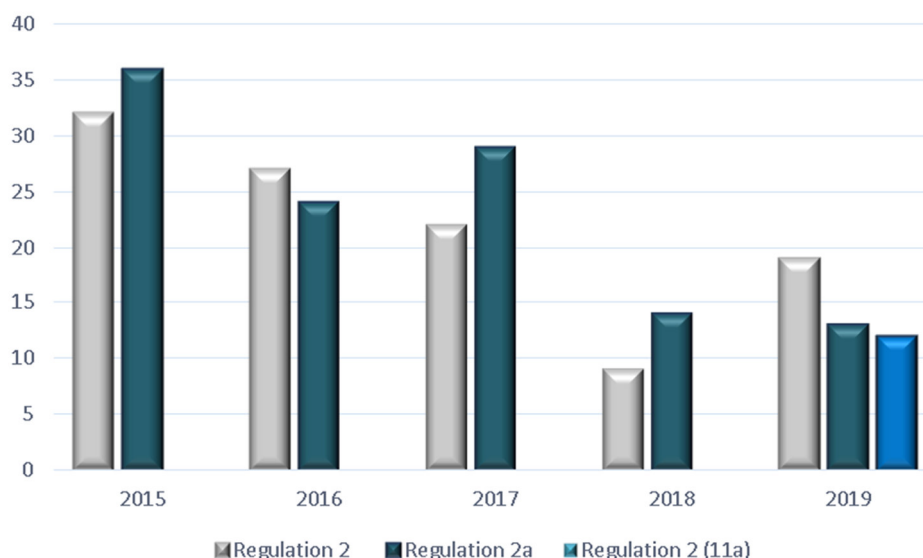


Figure 10: Total number of Regulation 2 , Regulation 2a and Regulation 2 (11a) letters issued (2015 - 2019)

NB: Regulation 2a came into effect 7th August 2014, and Regulation 2 (11a) came into effect July 2019

³FIS guidance on Regulation 2, Regulation 2a and Regulation 2 (11a):-
<http://www.guernseyfiu.gov.gg/CHttpHandler.ashx?id=121642&p=0>

STATISTICS: SARS - DISSEMINATIONS

In 2019, a total of 886 spontaneous disseminations were made to approximately 120 different FIUs or law enforcement agencies. As shown in Figure 11, the number of international disseminations have dropped in 2019, this is mainly due to the large number of SARs received from the e-gambling/e-gaming sector which are dual reported to other authorities. However, the FIS disseminated intelligence from approximately 40% of the total SARs received.

70% of all disseminations were made to international agencies and 30% were made to domestic authorities including Guernsey Financial Services Commission (117), Bailiwick Law Enforcement (95) and Guernsey Revenue Services (45). Disseminations were also made to other local authorities including; Alderney Gambling Control Commission, Social Security Department and States of Guernsey Housing Department.

The major area for international dissemination was the UK (215). The UK authorities who receive information included; the UK Financial Intelligence Unit (167), the Financial Conduct Authority, the Serious Fraud Office, HM Revenue and Customs, National Terrorist Financial Investigation Unit and various other law enforcement agencies across the UK. Other areas to receive a significant number of disseminations included the USA (47), Jersey (30), South Africa (30), India (20), Switzerland (17) and France (17).

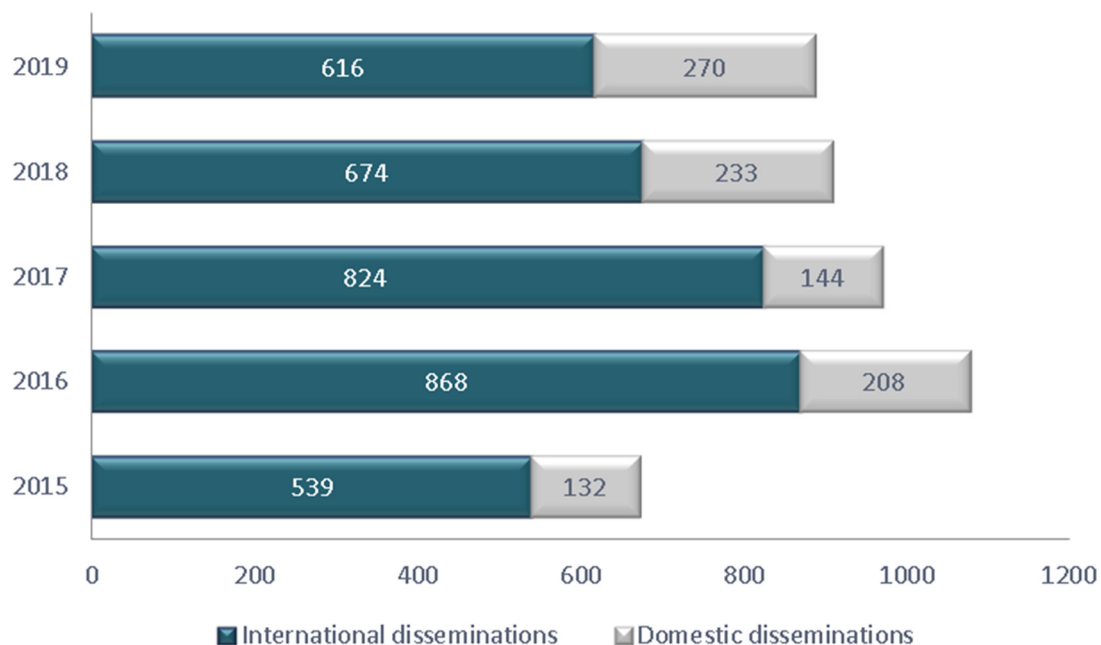


Figure 11: Number of International and domestic disseminations from the FIS (2015 - 2019)

STATISTICS: INTERNATIONAL REQUESTS

The FIS exchanges information freely, spontaneously and upon request with International Financial Intelligence Units. The FIS does not require a Memorandum of Understanding (MOU) in order to exchange information, which can be achieved through its existing legal framework. The FIS will nevertheless enter into agreements if required by other jurisdictions or organisations and has currently signed MOUs with 35 different jurisdictions or organisations, the most recent being the Cayman Islands.

As a member of the Egmont Group, the FIS is able to send and receive requests for assistance, to and from other member jurisdictions via the Egmont Secure Web (ESW), a secure email network. A wide variety of financial intelligence and other relevant information is collated and used by competent authorities and FIUs to investigate money laundering, associated predicate offences and terrorist financing. When a request is received by the FIS, it is acknowledged upon receipt and responded to in a timely manner, providing full cooperation where possible to the requesting jurisdiction.

157 requests for assistance were received by the FIS from jurisdictions including; Argentina, Australia, Azerbaijan, Bahamas, Belgium, Egypt, France, Germany, Greece, Indonesia, Isle of Man, Jersey, Latvia, Malta, Mauritius, New Zealand, Qatar, Russia, South Africa, Spain, Taiwan, United Kingdom and the United States of America. As shown in Figure 12, the number of requests received have remained fairly consistent since 2015.

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

The FIS continues to provide timely and accurate beneficial ownership information from the Bailiwick's beneficial ownership register. The FIS received 9 requests for beneficial ownership information during 2019, all of which were responded to in a timely manner.

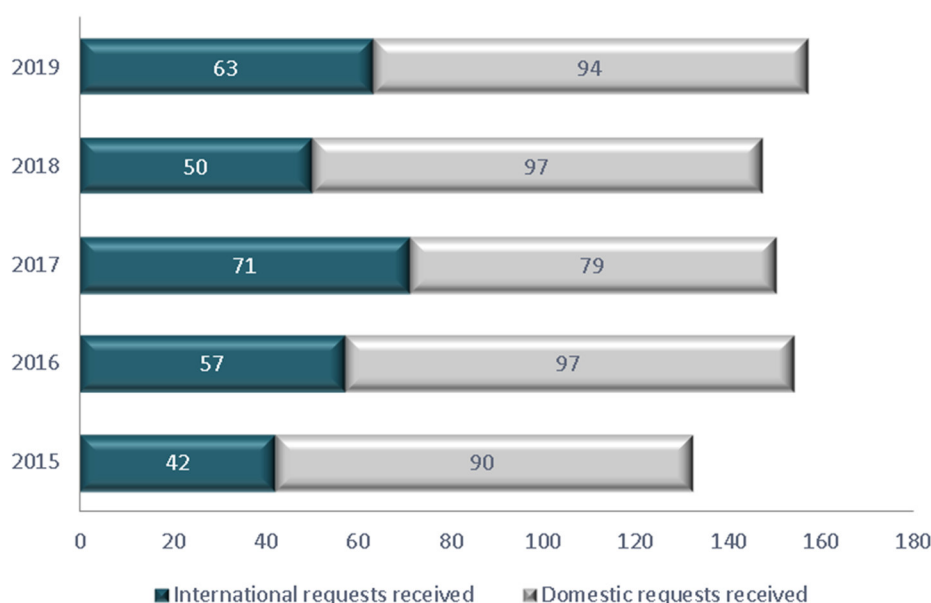


Figure 12: Total number of requests received by the FIS (2015 - 2019)

In 2019, the FIS sent 67 requests for information to 29 jurisdictions via the ESW, including; United Kingdom (13), United States of America (10), Switzerland (4), Latvia (4), Venezuela (3), Jersey (3), Thailand (2), New Zealand (2), Isle of Man (2), Italy (2), France (2), Spain (2), Luxembourg (2) and others.

Financial intelligence shared between jurisdictions is crucial for analysis and to investigate money laundering, associated predicate offences and terrorist financing. Timely responses to requests and reliable, accurate and up to date information are essential for all jurisdictions.

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.

Figure 13 shows the number of declarations received for the import and export of cash and bullion. The numbers have remained fairly consistent. In 2018, the commercial import/export dealers implemented changes to the method in which bullion was re-sold. The bullion remained in the Bailiwick of Guernsey pending re-sale. Therefore, the dealer was not required to export and re-import new products. This explains the decrease in numbers in 2018.

Figure 13.1 shows the value of declarations for the import and export of cash and bullion in to the Bailiwick of Guernsey. Export values have remained consistent over the period. However, import values have consistently decreased since 2017.

	Import	Export	Total
2015	62	54	116
2016	45	35	80
2017	54	46	100
2018	55	26	81
2019	58	34	92

Figure 13: Total number of declarations of cash and bullion on import and export to the Bailiwick of Guernsey (2015 - 2019)

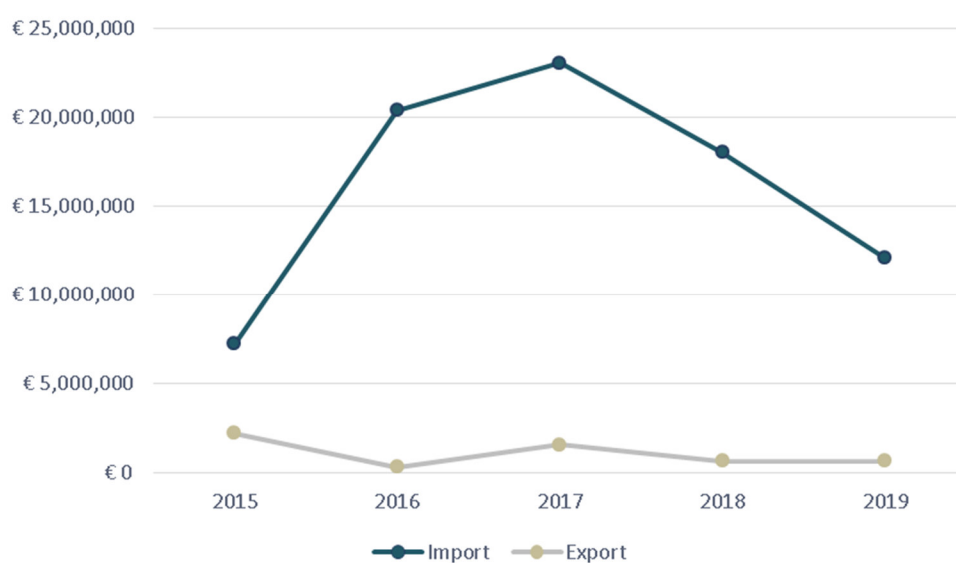


Figure 13.1: Value of import and export declarations to the Bailiwick of Guernsey (2015 - 2019)

CONTACT DETAILS

**FINANCIAL INTELLIGENCE SERVICE
OZANNE HALL
MIGNOT PLATEAU
CORNET STREET
ST PETER PORT
GUERNSEY
GY1 1LF**

EMAIL: fis@gba.gov.gg

TELEPHONE: +44 (0)1481 714081

**WEBSITE:-
www.guernseyfiu.gov.gg**