

Bailiwick of Guernsey Financial Intelligence Service

Annual Report 2020



Bailiwick of Guernsey
Financial Intelligence Service

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Foreword

I am pleased to present the Bailiwick of Guernsey Financial Intelligence Service (FIS) Annual Report for 2020.

It has been an unprecedented year dominated by the emergence of the COVID-19 pandemic which reached our shores at the end of the first quarter. The outbreak initially saw the FIS focusing its efforts on rapidly adapting working practices to embrace technology and remote working in order to maintain high operating standards and to stay connected to stakeholders, staff members, community and international colleagues. As part of a worldwide financial intelligence community, the FIS rose to the challenges faced and I am pleased to report that the impact of COVID-19 did not hinder the fight in combating money laundering, terrorist and proliferation financing or the sharing of intelligence between FIUs. The FIS kept abreast of best practice and guidance shared between international partners and remained vigilant to sectoral abuse by those who would seek to exploit potential vulnerabilities brought about by COVID-19.

Although the outbreak of the pandemic within Guernsey in late March resulted in a decrease in the filing of Suspicious Activity Reports (SARs), it was encouraging to see this was short-lived as submissions bounced back in May, illustrating the elasticity and resilience of the Bailiwick's financial sector. Indeed, this year has seen yet another overall increase in the number of SARs submitted to the FIS with 3,086 being received, an increase of 26% on the previous year.

The FIS used technology to maintain 'business as usual' during 2020 and managed to engage effectively in meetings via virtual platforms,

including participation in international Egmont working groups and a Crown Dependencies FIU forum. Staff training was also adapted and discharged via appropriate e-learning platforms. As COVID-19 restrictions eased towards the end of the second quarter, the FIS was able to once again deliver a number of face to face presentations to the financial sector throughout the remainder of the year, in addition to the distribution of guidance documents on SAR reporting, terrorist financing, and the National Risk Assessment.

Despite the many challenges that lie ahead in 2021, the FIS looks forward to continue collaborative working with other FIUs, law enforcement agencies, regulators, Government departments and other stakeholders in the fight against financial crime. I anticipate that 2021 will be a busy and productive year as the FIS looks to rebrand as the Financial Intelligence Unit (FIU) and to revitalise project work such as investing in the enhancement of Themis, the creation of a Money Laundering Reporting Officer (MLRO) Forum, the creation of a Guernsey Money Laundering Intelligence Taskforce and the provision of further outreach to industry with new training and guidance materials, as well as our continued commitment to supporting staff wellbeing and development.

In closing, I wish to thank all the staff within the FIS, all our stakeholders and colleagues in both the Bailiwick's public and private sectors, and to the community as a whole for their tremendous resilience and support throughout this challenging year.

Adrian Hale

*Head of the Bailiwick of Guernsey
Financial Intelligence Unit*

Our Vision

Financial intelligence is key to the investigation of money laundering, associated offences, terrorist financing, and proliferation financing. The FIS will work collaboratively with both our domestic and international partners in the fight against economic crime and terrorist financing.

The three primary objectives of the FIS are:-

- ▶ To gather, analyse and disseminate intelligence relating to criminal conduct (including but not limited to money laundering, the financing of terrorism and the proliferation of weapons of mass destruction), including attempted transactions and activities;
- ▶ To act in accordance with the EGMONT Group principles and FATF Recommendations in the exchange of information with other FIUs, and other similar bodies and law enforcement agencies both domestically and internationally;
- ▶ To conduct strategic analysis in accordance with FATF standards and methodology in respect of identifying money laundering and terrorist financing related trends and patterns.

*“Collaboration between
Financial Intelligence Units
is vital in the fight against
Economic Crime”*



FIS Activities

The Bailiwick of Guernsey Financial Intelligence Service (FIS) is the central authority for the receipt and analysis of Suspicious Activity Reports (SARs) and the dissemination of financial intelligence to appropriate bodies to aid the detection of inter alia money laundering, other predicate offences, terrorist financing and proliferation financing. The FIS's analytical and intelligence development functions are critical components of Guernsey's AML/CFT regime that supports regulation and enforcement and helps the financial sector to enhance its AML/CFT systems and processes.

Suspicious Activity Reports

In 2020, a new high of 3,086 SARs were received, of which 3,074 reports were submitted under the Disclosure (Bailiwick of Guernsey) Law, 2007, and the remaining 12 were received under the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002.

The percentage of reports submitted by each sector remained consistent with previous years, with e-Gambling/e-Gaming being the predominant reporting sector, accounting for 74% of all SARs, followed by Trust and Company Service Providers (TCSPs), Banks, Investments and Securities and Accountants. Although there was an increase in the volume of reports submitted by e-Gambling/e-Gaming, a reduction in SARs from most other sectors reflected the effects that COVID-19 restrictions had on industry worldwide.

Money laundering was the most prevalent suspected offence reported upon in 2020 with 76% of SARs, followed by fraud, false accounting or forgery, and tax evasion.

Analysis of the grounds for suspicion revealed that 8% of all SARs received in 2020 were submitted defensively. Over half of these reports were submitted by the e-Gambling/e-Gaming sector in response to Data Protection Act (DPA) requests from third parties. Other prominent reasons for defensive SARs included receipt of Financial Liaison Notices issued by the FIS, enquiries from local and UK Law Enforcement, receipt of Bank Disclosure Authorities and receipt of requests from the FIS for information using its statutory powers under the provisions of the Disclosure (Bailiwick of Guernsey) Regulations 2007.

The FIS identified 6% of the SARs received in 2020 as attempted transactions which were declined by the reporting entity without any funds or property being lost or potentially laundered.

The FIS also identified 12 SARs linked to Non-Profit Organisations and Charities, the majority of these being reported by Banks and TCSPs on suspicion of money laundering and/or fraud, false accounting or forgery. Approximately 3.5% of all SARs submitted in 2020 were linked to a Politically Exposed Person (PEP). These SARs were predominantly received from TCSPs and Banks regarding a suspicion of money laundering or bribery and corruption.

Please refer to the Statistics section for a more detailed breakdown of the SAR analysis.

Terrorist Financing

In 2020, 12 SARs were submitted under The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 and a further 9 SARs were submitted under the Disclosure (Bailiwick of Guernsey) Law, 2007 with suspected links to Terrorism or Terrorist Funding.

Of the total SARs linked to terrorism or terrorist financing in 2020, the highest reporting sector was TCSPs, followed by e-Gambling/e-Gaming and Banks.

Proliferation Financing

Preventing proliferation financing is an important part of combatting the acquisition, use, stockpiling etc. of weapons of mass destruction. It is crucial to disrupt financial flows available to proliferators and to obstruct the procurement of illicit goods, services and technology desired for the development of such weapons.

Outreach to the private sector has been carried out in order to assist businesses to understand the effect of the counter-proliferation and counter-proliferation financing sanction regimes in place. In 2020, 3 SARs were identified as having links to proliferation via a third party. These SARs, submitted by the same entity, were in relation to a locally administered Trust, however the suspicion regarding proliferation was derived from open source media articles relating to proliferation in another jurisdiction.

Sanctions

The FIS is an active member of the Bailiwick of Guernsey's Sanctions Committee and frequently distributes updates on sanction regimes via the SAR online portal Themis to the private sector. In 2020, a total of 20 SARs were identified as being related to financial sanctions matters.

A total of 37 THEMIS notices were issued relating to financial sanctions in 2020. These notices advised the finance sector of the

changes to the Bailiwick's sanctions legislation. Current sanction regimes can be found on the FIS website: www.guernseyfis.gg

International Cooperation

The FIS exchanges information within agreed data sharing arrangements, spontaneously and upon request. The FIS also participates in targeted cooperation with other FIUs, providing information essential to help identify and analyse suspected wrongdoing, criminal trends etc. and to help develop potential cases for civil and/or criminal intervention.

The sharing of financial intelligence between jurisdictions continues to be a crucial element in tackling the global nature and reach of serious financial crime; timely responses to requests together with reliable, accurate and up-to-date information remain key requisites for all jurisdictions.

The FIS does not require a Memorandum of Understanding (MOU) in order to exchange information as this can be achieved through its existing legal framework. The FIS will nevertheless enter into MOUs if required by other jurisdictions or organisations.

The number of international requests received from other FIUs or law enforcement agencies in 2020 decreased by approximately 26% compared to 2019, no doubt due to the COVID-19 pandemic. Requests for information were received from 20 different countries and amounted to 46 different requests, with the United Kingdom being the main requesting jurisdiction.

The FIS continues to provide timely and accurate information on beneficial ownership from the Bailiwick's beneficial ownership register. During 2020, the FIS received 6 requests for beneficial ownership information from the UK Authorities, all of which were responded to within 24 hours.

In 2020, the FIS received 28 spontaneous intelligence reports from 6 different countries, with Jersey being the main submitter followed by the United Kingdom.

The FIS disseminated 699 intelligence reports (IRs) across 76 jurisdictions during 2020. The main recipient of international disseminations was the United Kingdom which received 254 IRs. These were distributed to organisations such as the UK Financial Intelligence Unit, the Financial Conduct Authority, and HM Revenue and Customs. Other countries that received a significant number of FIS reports included the USA, Switzerland, South Africa, Isle of Man and Hong Kong.

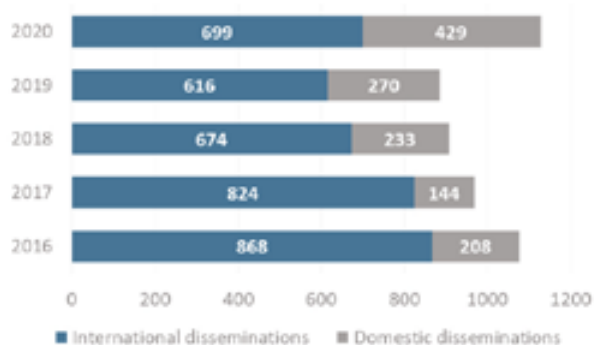


Figure 1 – Intelligence Disseminations per year

The exchange of information is not restricted to case specific exchanges but also includes discussions on wider AML and CFT issues in international fora such as Egmont and MONEYVAL.

The Egmont Group

The Egmont group is a global network of Financial Intelligence Units and the FIS has been an active member for many years. The goal of the Egmont group is to provide a forum for FIUs around the world to meet regularly to improve cooperation in the fight against money laundering, the financing of terrorism and the implementation of domestic programs to counter these threats.

During 2020, The Head of the FIS represented the FIS (virtually) in the Europe Region II meetings and in the International Egmont Working Group (IEWG). The FIS was actively involved in a group set up to provide guidance on enhancing detection capacities of FIUs and fostering the exchange of information in respect of money laundering pursuant to serious tax crimes.

MONEYVAL

MONEYVAL is a committee of experts of the Council of Europe founded in 1997 to support member states in their fight against money laundering and terrorist financing.

MONEYVAL conducts a process of peer reviews to gauge the effectiveness of members' AML/FCT systems and compliance with international standards. Guernsey will be required to demonstrate compliance with these standards and the effectiveness of its AML/CFT systems in 2023.

MONEYVAL published guidance on COVID-19 money laundering and terrorist financing trends in 2020 which was cascaded to the finance sector via THEMIS.

The Head of the FIS also participated in virtual MONEYVAL plenaries and workshops during 2020.

Financial Action Task Force (FATF)

The FATF is an inter-governmental body that sets international standards and promotes effective implementation of legal, regulatory and operational measures for combatting money laundering and the financing of terrorism; these are known as Recommendations and they form the basis of a Mutual Evaluation Report, which assesses a country's systems for preventing criminal abuse of the financial system.

The FIS actively promoted FATF publications during 2020 including guidance on COVID-19, Virtual Assets and Terrorist Financing. The FIS also assisted the FATF by providing information to support mutual evaluation reports.

International Anti-Corruption Coordination Centre (IACCC)

The IACCC brings together specialist international law enforcement agencies to coordinate a global response to grand corruption. The capabilities of the IACCC include the sharing of intelligence on grand corruption through a joint working platform. The intelligence is developed by highly experience officers from around the globe and they disseminate information packages to overseas partners.

The FIS became an associate member of the IACCC in 2020 and this enables the rapid exchange of intelligence with the IACCC to assist with the development of grand corruption cases and to support partners across the world.

Joint Money Laundering Intelligence Taskforce (JMLIT)

The National Economic Crime Centre (NECC) coordinates and tasks the UK's response to

economic crime, harnessing intelligence and capabilities from across the public and private sectors to tackle economic crime in the most effective way.

The NECC includes the Joint Money Laundering Intelligence Taskforce (JMLIT) which is a partnership between law enforcement and the financial sector to exchange and analyse information relating to money laundering and wider economic threats.

The FIS actively participated in a limited number of JMLIT meetings in 2020 due to COVID-19.

Feedback

Since 2016, the FIS has requested feedback on intelligence disseminated to international competent authorities (FIUs and law enforcement). This information helps the FIS gauge the effectiveness of intelligence provided to partners in the international fight against money laundering and the financing of terrorism.

In 2020, the FIS received 93 completed feedback forms from 19 jurisdictions. It should be noted that these requests were not all related to intelligence reports sent out during 2020, as feedback can be received from previous years.

The jurisdiction that provided the most feedback was the USA and accounted for approximately 30% of responses; these rated the usefulness of the intelligence reports provided by the FIS as 'excellent'. Other jurisdictions that provided feedback responses included Jersey, Hong Kong, Italy, Russia, Australia, Gibraltar and the Isle of Man.

Of the total completed feedback responses to the question on how useful the FIS intelligence reports were, 98% responded with 'excellent', 'good' or 'satisfactory'.

Almost 95% of jurisdictions that had requested intelligence from the FIS stated they received a response in a timely manner.



Figure 2 – 2020 SAR Feedback Responses

Approximately 75% of feedback forms indicated intelligence reports from the FIS contained valuable information that was not known to the recipient organisation, 19% indicated that it had corroborated existing information and 8% responded that it had identified hitherto unknown criminal assets in the jurisdictions concerned.



Bailiwick of Guernsey Cooperation

The FIS continues to work closely with Bailiwick Law Enforcement, particularly the Economic Crime Division (ECD), the International Cooperation and Asset Recovery Team (ICART) and the Guernsey Border Agency.

In 2020, the FIS prepared 33 referral reports for ECD which mainly involved patterns indicating strong suspicions of money laundering.

A total of 38% of all intelligence reports were disseminated to domestic authorities, amounting to 429 intelligence reports. The main recipients of domestic disseminations were the Guernsey Financial Services Commission, Guernsey Revenue Service, and Guernsey Law Enforcement. Disseminations were also made to other domestic authorities including the Alderney Gambling Control Commission, Guernsey Registry and the Social Security Department.

The FIS continues to work closely with the Guernsey Financial Services Commission, Guernsey Registry, Guernsey Revenue, Policy and Resources Committee and the Guernsey Law Officers. Representatives of all these competent authorities meet regularly and includes the sharing of intelligence in accordance with agreed protocols.

This continued cooperation demonstrates that, on the whole, financial intelligence disseminated by the FIS is being used effectively to support the work of competent authorities within the jurisdiction and overseas. Going forward, additional information will be sought on the extent to which disseminated intelligence has been used by domestic and international partners to secure tangible enforcement or regulatory outcomes.

2020 FIS Highlights

January

2020 started with the publishing of the public report for the Bailiwick of Guernsey National Risk Assessment (NRA) in relation to money laundering and terrorist financing. All jurisdictions are subject to threats from money laundering and terrorist financing and the (now widespread) concept of a NRA has developed to reflect international requirements for jurisdictions to identify, assess and understand the risks they face. This equips governments, civil servants and relevant operational authorities to mitigate jurisdictional risks. Substantial work was undertaken by Bailiwick authorities, including the Financial Intelligence Service (FIS), to build on existing assessments to develop this NRA.

January saw several meetings take place with fellow counterparts, with Guernsey, the Isle of Man and Gibraltar creating a technical user group to discuss software currently used by all three jurisdictions in respect of the reporting of suspicious financial activity.

February

Sessions on the National Risk Assessment were held for the private (regulated and non-regulated) sector by representatives of the States of Guernsey, Policy and Resources Committee, the Guernsey Financial Services Commission and the FIS. The aim of these sessions was to give an overview of the ML/FT threats and provide initial guidance on how reporting entities should apply the NRA report

to their businesses. Nearly 600 private sector delegates attended and the authorities received positive feedback from all sectors in respect of the content of the NRA.

March, April, May

The FIS re-issued three guidance documents to the private sector via the SAR online reporting facility known as THEMIS. These included Guidance to Improve Suspicious Activity Reports, Guidance on Requests for Additional Information and Guidance on Terrorist Financing Risks to the Bailiwick issued by the Policy and Resources Committee.

On Thursday 26th March 2020, in response to the evolving global coronavirus situation, the Bailiwick of Guernsey imposed travel restrictions followed by an island wide lockdown. The FIS reacted to this swiftly, with all staff working remotely, to ensure the continued delivery of FIS services.

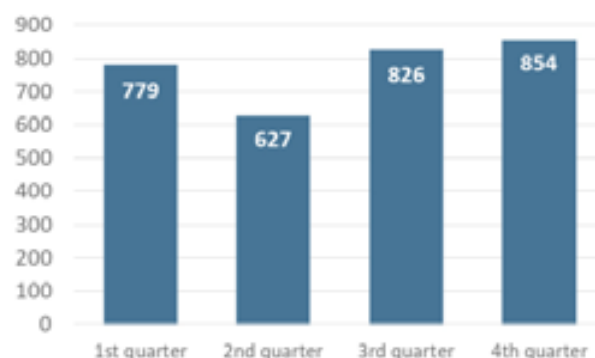


Figure 3 – 2020 SARs received per quarter

As can be seen by the graph above, there was a decline in the number of SARs received in the second quarter of 2020. This was mainly due to the financial sector having difficulties in processing day-to-day AML tasks due to the change in working environments as a direct result of COVID-19 lockdown restrictions.

The FIS continued the gradual easing of restrictions in late May saw the Bailiwick returning to some sort of normality. The third and fourth quarter of 2020 saw an increase in the number of SARs received from all sectors. Please see the statistics chapter for more detailed analysis.

June

The FIS signed a Memorandum of Understanding with the Special Verification Intendancy (IVE) of the Republic of Guatemala and with the Nigerian Financial Intelligence Unit (NFIU) concerning information and financial intelligence exchange related to money laundering, terrorism financing and proliferation financing. These MOUs will help form stronger relationships and improve cooperation with these jurisdictions.

July

The FIS is one of eight new associate members who gained membership to the International Anti-Corruption Coordination Centre (IACCC) alongside the Cayman Islands, Gibraltar, Jersey, Mauritius, Seychelles, Isle of Man and the Turks & Caicos Islands. These authorities join the existing core IACCC members, consisting of law enforcement agencies from six countries and Interpol.

August

Several FIS staff members successfully completed various International Compliance Association (ICA) certificates including specialist certificates in Private Banking, Global Banking and Markets. Staff also completed various e-learning courses in operational and strategic analysis and to improve their knowledge in respect of corporate vehicles and financial products.

¹Consistent with paragraph 21(2) of Schedule 3 to the Proceeds of Crime Law, and the Guernsey Financial Services Commission's Handbook

September

A refreshed FIS website was published this month: <https://www.guernseyfis.gg>

October

On the 20th September 2020 the International Consortium of Investigative Journalists (ICIJ) globally published leaked documents from the US Treasury's Financial Crimes Enforcement Network, known as the FinCEN Files. The key findings reported suspicious payments in more than 170 countries and account holders suspected of money laundering. The FIS working closely with other authorities conducted a risk assessment on the impact of these disclosures on the Bailiwick of Guernsey.

November

The FIS finalised the recruitment of two new staff; a Financial Intelligence Officer and a Strategic Analyst.

December

FIS continued their outreach to the private sector with several presentations in respect of the role of the FIS and a presentation by the Head of the FIS to the Guernsey Association of Compliance Officers and The Society of Trust and Estate Practitioners.

A second virtual Crown Dependencies FIU meeting was held between the FIUs from Guernsey, Gibraltar, Isle of Man and Jersey.

The Head of the FIS wrote to the Boards¹ of Banks and Fiduciaries as part of its engagement with higher risk business sectors. The letter referred to previously issued guidance to help improve the quality of SARs. An assessment of the qualitative content of the SARs since this communication will be reviewed in 2021.

Statistics

Suspicious Activity Reports (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. Knowledge or suspicion of terrorist financing is reported under The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002.

	2016	2017	2018	2019	2020
Total number of SARs received	1368	1438	2108	2441	3086
SARs submitted under The Terrorism & Crime (BoG) Law, 2002	8	19	12	30	12
SARs submitted under The Disclosure (BoG) Law, 2007	1360	1419	2096	2411	3074

Table 1 – Number of SARs received per year under each Law

The annual number of SARs received has increased for the 8th consecutive year. A total of 3,086 SARs were received in 2020, representing an increase of 26% on the number

received in 2019, and an increase of 126% on the number received in 2016. The increase is due to the large number of SARs (74%) received from the e-Gambling/e-Gaming sector.

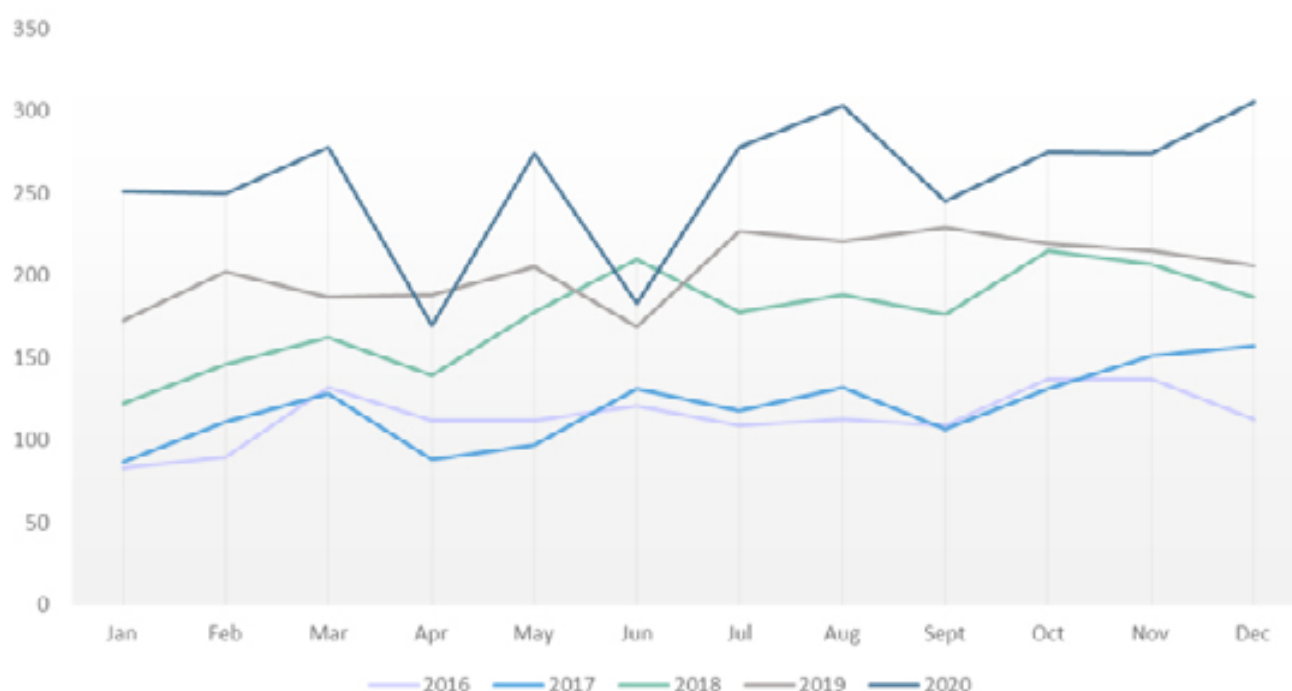


Figure 4 – SARs submitted to the FIS per year

Analysis identified that the average number of SARs received per month in 2020 was 257. The highest number of SARs received within a month was December (305) and the lowest was during the local COVID-19 Lockdown in April (170). The highest number of SARs received within a week was the third week in May (95), commensurate with the easing of local lockdown restrictions.

Figure 4 clearly illustrates a dip in SARs during April when the number of SARs submitted by sectors such as Accountants, Banks, TCSPs, and Investment & Securities fell to an unprecedented low of 27. This correlated with the COVID-19 lockdown restrictions that were put in place on 26th March 2020 the impact of which required a greater emphasis on home working across the Bailiwick and this continued into late May. It is also plausible to surmise that business dropped significantly during the first part of April as the populace were obliged to stay at home and there was no face to face contact with financial institutions which may have led to a reduction in reporting.

The number of SARs received picked up again in May, where each sector returned to anticipated levels, with the exception of e-Gambling/e-Gaming which saw a 34% increase.

A dip in the number of incoming SARs was also evident in June 2020. Further analysis indicated that the number of incoming SARs from each

sector was almost commensurate with the numbers received in 2019, therefore June was considered an average month. June SAR numbers appear to be low because the volume from the e-Gambling/e-Gaming sector was considerably lower than those received in other months during 2020; the average being 189 SARs per month from e-Gambling/e-Gaming sector compared to only 119 received in June.

Suspicious Activity Reports: Residency

The primary area of residence of the subjects of SARs was the UK (69%) followed by Channel Islands (12%) and then Europe (6%).

The increase in UK subjects has continued to surge since 2016 due to the continuous 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 operating out of the UK.

The number of SAR subjects resident within the Channel Islands dropped slightly again in 2020, alongside a small reduction in the number of subjects resident within Europe, Oceania and the Caribbean. The number of SAR subjects resident in the other regions (Africa, Asia, America and the Middle East) has remained generally consistent over the past three years.

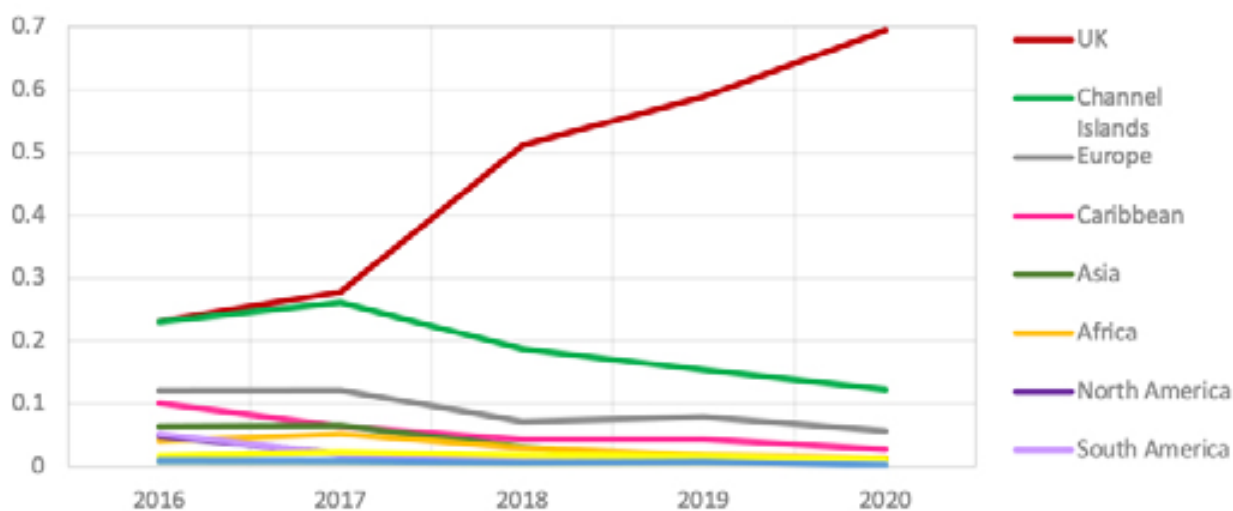


Figure 5 - % SARs per year by Subject Residency

Suspicious Activity Reports: Sectors

Of the 3,086 SARs received by the FIS in 2020, 74% were received from the e-Gambling/e-Gaming sector, followed by TCSP (10%), Banks (10%), Investments and Securities (2%) and Accountants (2%). The remaining 2% represents all the other sectors depicted in figure 6 below. This breakdown by submitting sector is consistent with previous years.

Although 2020 showed an increase of 50% on 2019 with regards to the volume of reports submitted by the e-Gambling/e-Gaming sector, there was, conversely, a 12% reduction from other sectors such as Currency Exchanges, Investment & Securities and TCSPs; no doubt reflecting the effect of COVID-19 restrictions on the financial industry both locally and worldwide. With many individuals in the UK and the Bailiwick being confined to their homes during the coronavirus pandemic in 2020, it is, arguably, axiomatic that the use of internet-based entertainment such as e-Gambling/e-Gaming increased and therefore causal to an increased number of transactions considered to be of a suspicious nature.

The restrictions on international travel led to a decrease in the use of currency exchanges. This coupled with the closure of exchanges during lockdown and no face-to-face interaction would have resulted in a decline in business across many financial sectors during 2020 which resulted in a proportionate decrease in SARs submitted to the FIS by those sectors.

Analysis of the e-Gambling/e-Gaming sector identified that in 2020, one main licensee was once again the highest submitter and accounted for over 59% of the total SARs received across all sectors. Analysis identified that circa 96% of all SARs from this sector were dual reported to law enforcement bodies in other jurisdictions, the most prevalent of these being the National Crime Agency in the UK.

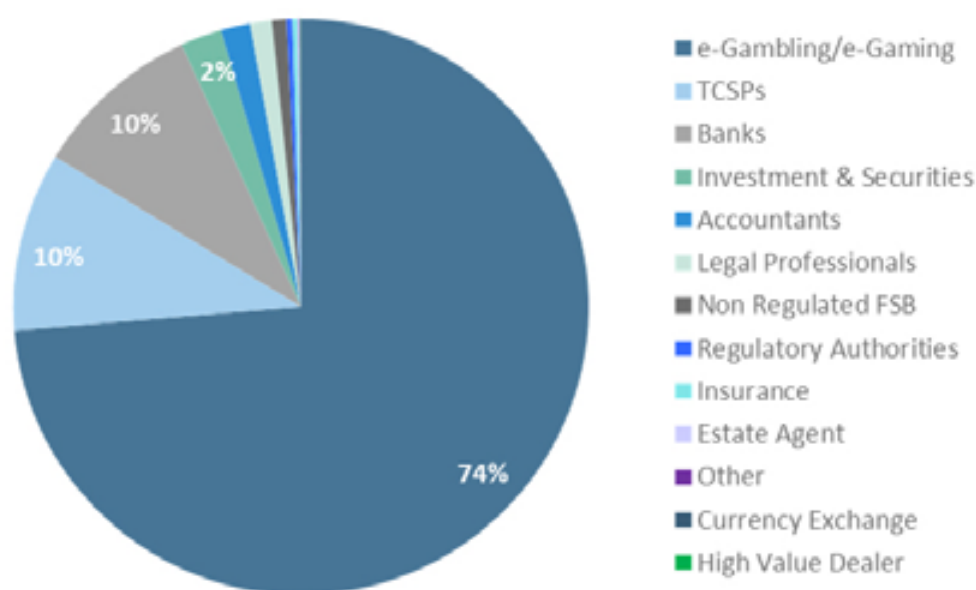


Figure 6 – Percentage of SARs received per Sector

Suspicious Activity Reports: Criminality

In line with previous years, suspicion of money laundering was the most commonly reported crime during 2020 and was depicted in 76% of all SARs. Further analysis showed that the e-Gambling/e-Gaming sector submitted 85% of money laundering SARs.

The second-most reported crime type was fraud, false accounting or forgery, which was depicted in 13% of all SARs. Once again, the highest reporting sector for this crime type was e-Gambling/e-Gaming with 56%, followed by TCSPs and Banks which both submitted 15%. Of particular note is that, in respect of fraud based suspicions, 14% represented attempted transactions that were identified before any financial loss was incurred.

Tax evasion was cited as being the suspected criminality on 7% of all SARs received, with 53% received from TCSPs, 21% from Banks and 8% from Investment & Securities.

Analysis of the remaining 4% of SARs showed that suspected proceeds from criminality such as bribery and corruption, trafficking in narcotic

drugs, insider trading, robbery/theft, trafficking in human beings and terrorism remained low in the Bailiwick.

Further analysis of the 51 SARs reported under a suspicion of bribery and corruption identified that 4 were linked to financial international sanctions and 26 reported links to Politically Exposed Persons.

The number of SARs citing a suspected criminality of participation in organised crime groups (OCGs) and racketeering also remained low in 2020 (less than 1%), with a slight increase in the number of SARs identified as having a link to organised crime groups (5%). Analysis revealed that the vast majority of links to OCGs were not related to a suspicion of any local criminality.

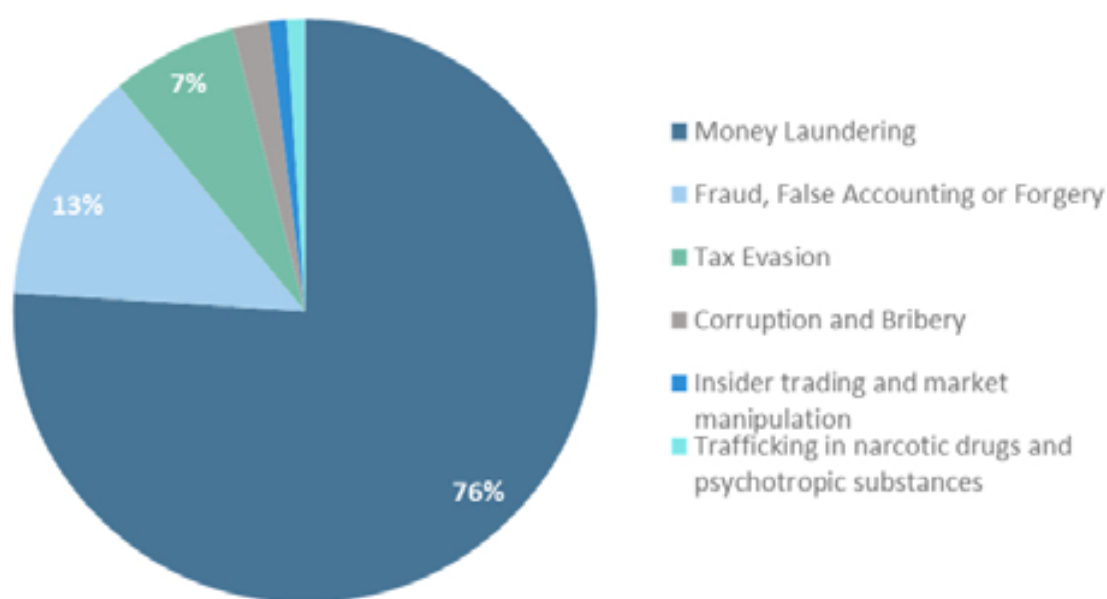


Figure 7 – Percentage of SARs received by Criminality

Suspicious Activity Reports: Non-Profit Organisations (NPOs)

During 2020, the FIS received 12 SARs with links to Non-Profit Organisations and Charities. The number of SARs received with a link to NPOs remains low and the percentage of SARs with a link to NPO's remains consistent with previous years.

	2016	2017	2018	2019	2020
SARs with NPO/Charity Link	15	6	16	10	12
% SARs with NPO/Charity Link	1.1%	0.4%	0.8%	0.4%	0.4%

Table 2 – Number and Percentage of NPO-linked SARs received per year

Analysis of the NPO and Charity linked SARs showed that 50% were received from Banks and a further 33% were received from TCSPs, which is consistent with the reporting pattern seen in previous years. Although 50% of NPO-related SARs indicated a link to trusts, analysis revealed that the trusts were either victims of fraud attempts or that the subject of suspicion was usually the settlor of the trust, rather than the charity which was its beneficiary.

The most prevalent criminality reported upon was money laundering (50%) followed by fraud, false accounting and forgery (33%). Only 1 NPO-linked SAR was submitted with a suspicion of bribery and corruption which was tenuously linked to a civil case in another jurisdiction. One SAR was submitted due to suspicion of extortion linked to an organised crime group (in another jurisdiction) though the NPO link was through an associated third party.

Analysis of the SARs received in 2020 suggested that linked NPOs were not being used for terrorist financing or money laundering.

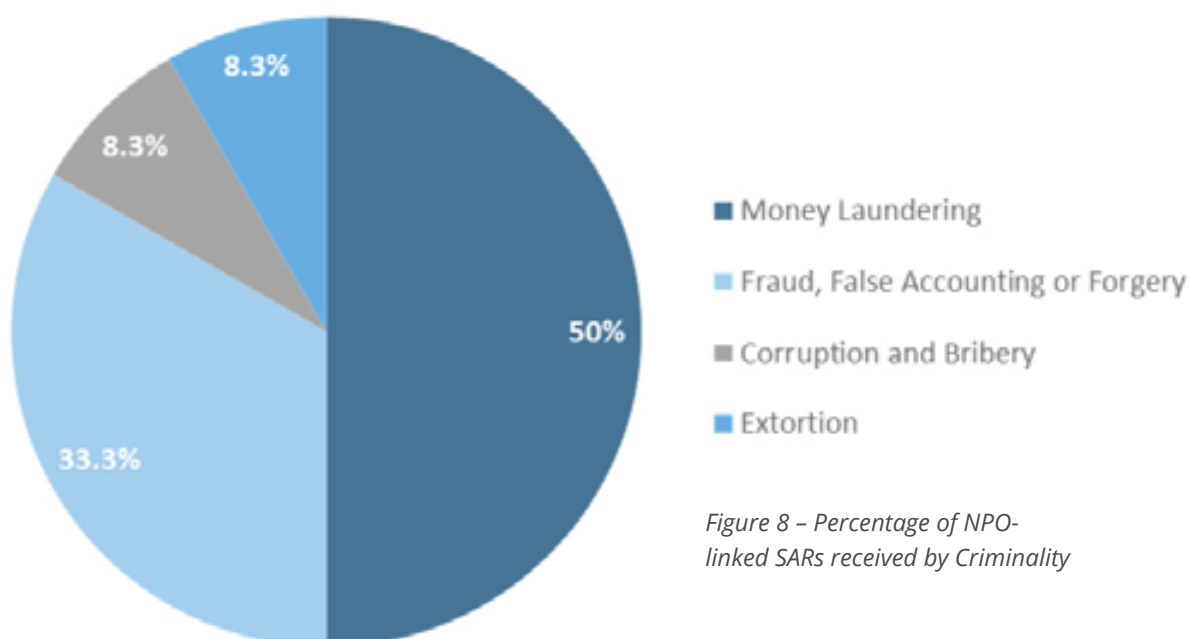


Figure 8 – Percentage of NPO-linked SARs received by Criminality

Suspicious Activity Reports: Politically Exposed Persons

A Politically Exposed Person (PEP) means a natural person who is or has been entrusted with a prominent public function. The Bailiwick of

Guernsey's NRA 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.

	2016	2017	2018	2019	2020
SARs with a PEP link	65	83	82	97	108
% PEP SARs	4.8%	5.8%	3.9%	4.0%	3.5%

Table 3 – Number and Percentage of PEP-linked SARs received per year

Whilst the number of SARs with a PEP link increased again in 2020, the overall percentage of SARs with a PEP link decreased slightly and was at a five year low.

In line with previous years, TCSPs continue to be the highest reporting sector of PEP related SARs (44%) followed by Banks (22%), Accountants (11%) and Investment & Securities (10%).

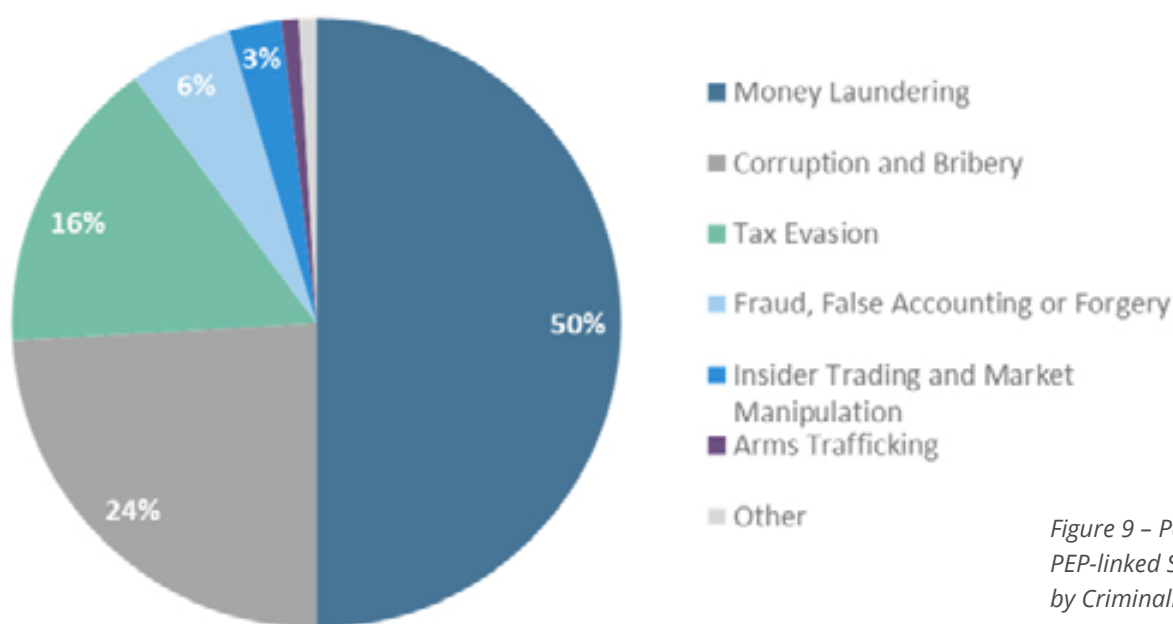


Figure 9 – Percentage of PEP-linked SARs received by Criminality

Money laundering continues to be the prominent suspected criminality on SARs linked to PEPs (50%) trailed by bribery and corruption (24%), tax evasion (10%) and fraud, false accounting or forgery (8%). With regards to the 1 SAR that was received regarding a suspicion of arms trafficking, it was revealed that the PEP was a business associate of the main subject,

and that no assets were held or controlled within the Bailiwick of Guernsey. FIS analysis showed that there were no SARs received relating to locally resident PEPs.

Analysis revealed that 6 of the PEP related SARs were linked to financial international sanctions (UN/EU), with a further one to a UK freezing order and another to an Interpol red notice.

Suspicious Activity Reports: Terrorism including Terrorist Financing

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

derived from terrorist property. In 2020, the FIS received 12 SARs submitted under The Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 with 6 having an applicable terrorism/terrorist financing link and 6 found to have no link to terrorism/terrorist financing. A further 9 SARs were received under The Disclosure (Bailiwick of Guernsey) Law, 2007 that were linked to Terrorism/Terrorist Financing.

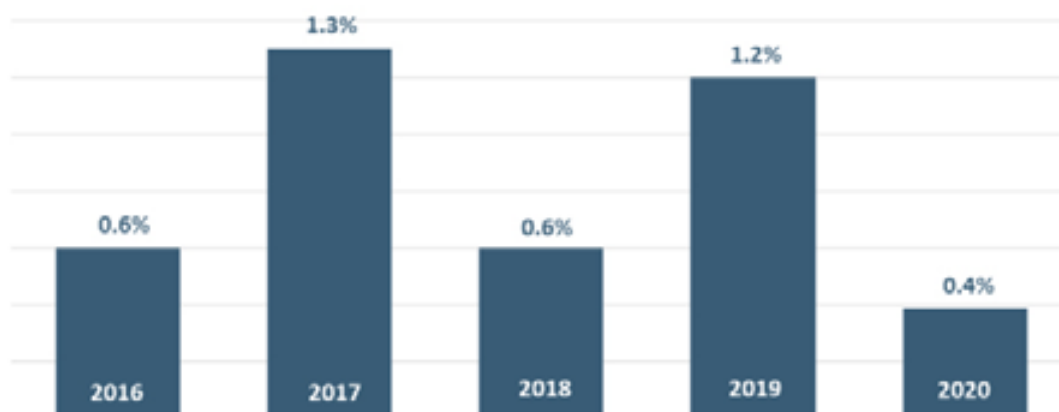


Figure 10 – Percentage of SARs Submitted under the Terrorism and Crime (BoG) Law, 2002

The Financial Action Task Force (FATF) has identified a reduction in terrorist financing as a result of the COVID-19 pandemic and emerging technologies. This may be the reason for the reduction in relevant disclosures submitted in 2020.

Of the total 15 SARs linked to terrorism/terrorist financing, the highest reporting sector was

TCSPs (40%), followed by e-Gambling/e-Gaming (27%) and Banks (20%). The principal criminality reported upon was money laundering (47%), with terrorism or terrorist financing being the primary criminality in 33% of the terrorism-related SARs. None of the disclosures were linked to either NPOs, PEPs or sanctions.

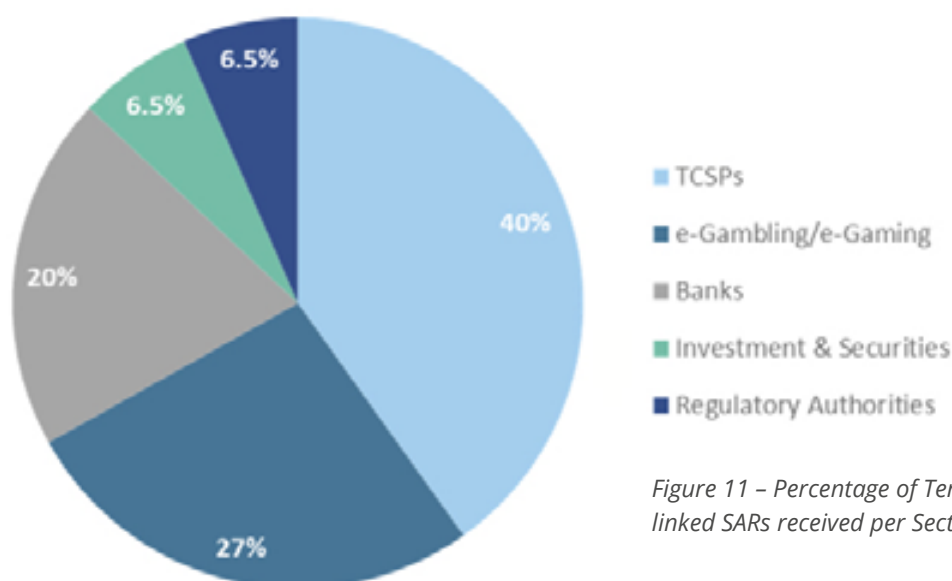


Figure 11 – Percentage of Terrorism-linked SARs received per Sector

Suspicious Activity Reports: Attempted Transactions

In 2020, circa 6% of the 3,086 SARs received by the FIS were related to attempted transactions. As seen in previous years, the sector that submitted the most reports where transactions had been attempted was TCSPs (40%) followed by Banks (21%), and Investments & Securities (14%).

Analysis of these SARs revealed 40% related to a suspicion of money laundering, 31% to suspected fraud, false accounting or forgery, and 21% to suspected tax evasion. Furthermore, 15% of SARs involving attempted transactions were linked to politically exposed persons, 2% to organised crime groups and 2% to non-profit organisations.

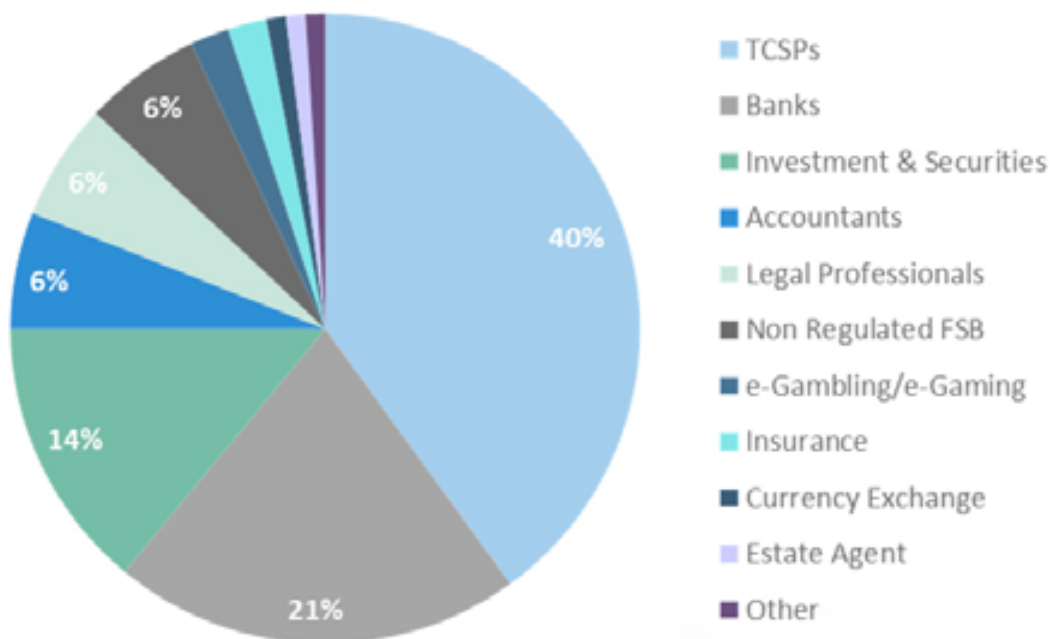


Figure 12 – Percentage of Attempted Transaction SARs received per Sector

Suspicious Activity Reports: Defensive Disclosures

Almost 8% of all SARs received by the FIS were submitted defensively [reporting to the FIS following either an approach from law enforcement, the regulator or Revenue Service]. The Gambling/e-Gaming sector submitted the most defensive SARs in 2020 (54%) followed by Banks (31%) and TCSPs (10%).

The most cited reason for submitting a defensive SAR was the receipt of a Data Protection Act Request (53%) the majority of which were issued by UK Banks (Gambling/e-Gaming sector), Regulators and Law Enforcement. Other grounds for submitting a defensive SAR included enquiries from local institutions such as Guernsey Revenue Service and Guernsey Registry as well as local Law Enforcement enquiries such as the receipt of correspondence e.g. Bank Disclosure Authorities, Financial Liaison Notices, Regulation 2A and 2 11A letters. The e-Gambling/e-Gaming sector was the highest submitter of defensive SARs linked to DPA Requests with a total of 51%.

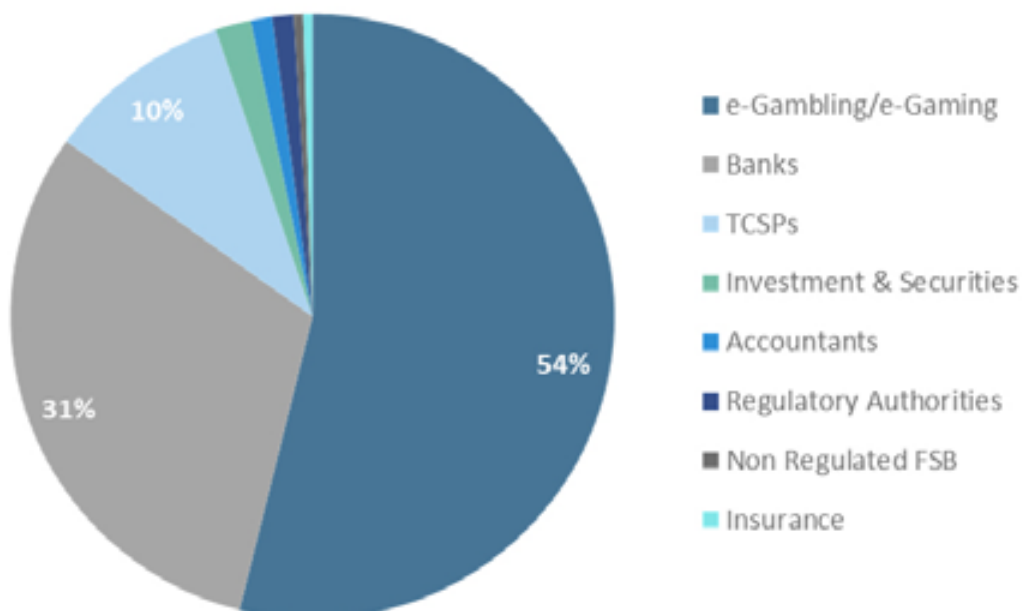


Figure 13 –
Percentage of
Defensive SARs
received per Sector

Regulation 2, Regulation 2A & Regulation 2 11A Letters

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. Information obtained as a result 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 used to obtain facts to enhance information set out in a filed disclosure.

The Disclosure (Bailiwick of Guernsey) (Information) Regulations, 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. The FIS issued 34 Section 2 (11A) letters in 2020, as a result of requests for assistance from relevant parties including domestic law enforcement authorities, other government bodies, regulatory bodies and other competent authorities (Financial Intelligence Units) and law enforcement agencies, primarily in the UK. This enabled the FIS to provide a wide variety of financial intelligence and other relevant information to competent authorities involved in investigating money laundering, associated predicate offences and terrorist financing. The Regulations are in addition to the provisions under Regulation 2 and 2A.



Figure 14 –
Regulation 2, 2A and
2 11A Letters issued
per year

(NB: Regulation
2 (11a) came into
effect July 2019)

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.

During 2020, the FIS issued a combined total of 127 Regulation 2, Regulation 2A and Regulation 2 11A letters, as well as 22 letters requesting further information. These letters were predominantly addressed to Banks and TCSPs.

The number of Regulation letters continues to increase each year as the FIS proactively seeks additional information to identify specific targets, to follow the trail of particular activities or transactions and to determine links between targets and criminal/terrorist activities.

FIS Action & Provisional Measures (Consent Regime)

A disclosure of a 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 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 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.

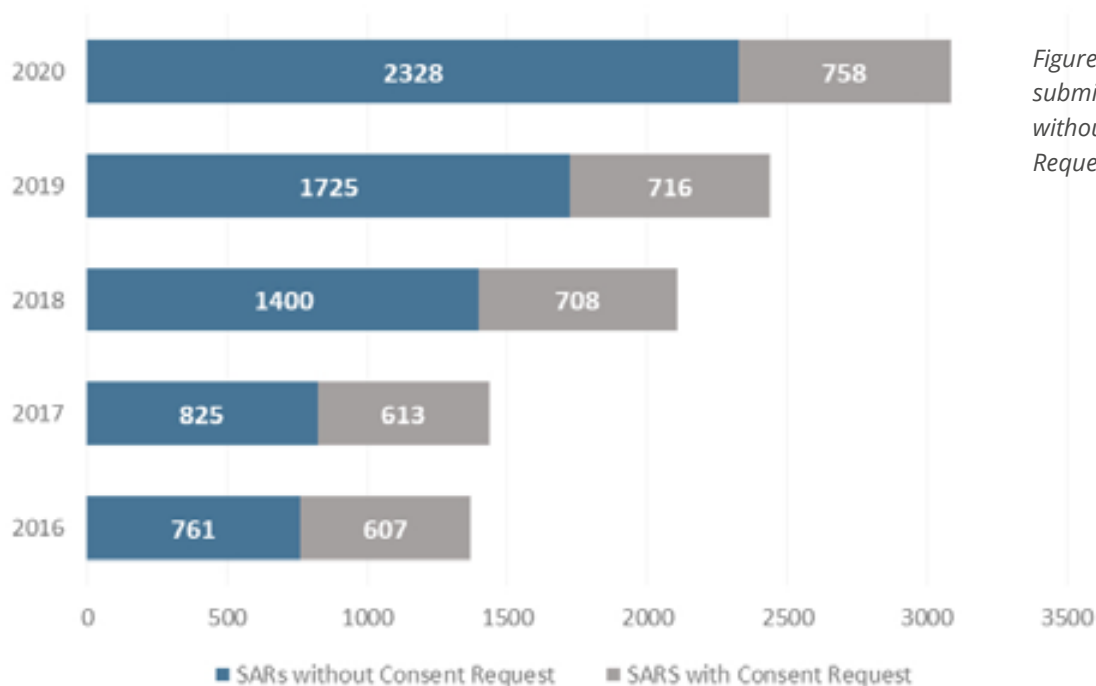


Figure 15 – SARs submitted with and without Consent Requests per year

In 2020, 758 SARs were received that included a request for consent pursuant to the Law (which accounted for 25% of all SARs).

Although SARs with a consent request continue to increase annually, the proportion has once again reduced. This is due to the vast number of SARs received from the e-Gambling/e-Gaming sector, which generally do not submit requests to undertake an 'act' that would constitute an offence pursuant to the above legislation.

Consent requests can be submitted at the same time as a SAR, subsequent to the filing of the disclosure or it may relate to a pre-existing submission.

Table 4 – Number of Consent Responses in 2020

Consent Granted	1071
Consent Not Applicable	322
Consent Refused	29
Consent Rescinded	11
Consent Subsequently Granted	16
Total Consents Received in 2020	1,449

In total, the FIS received and responded to 1,449 consent requests received in 2020. Consent was granted in respect of 74% of requests received, 22% received a 'consent not applicable' response and approximately 2% received a 'no consent' response. This is consistent with 2019.

Analysis of 'consent not applicable' responses identified that they were not considered to be a consent matter, i.e. they did not require a statutory defence to a money laundering offence, and were predominantly requests that did not relate to a suspicious transaction or activity ('act'). To clarify consent can only be provided by the FIS when the request is considered a criminal offence under the provisions of the Bailiwick's proceeds of crime

law. The FIS will be issuing guidance on the Bailiwick's consent regime in 2021 to help reduce the number of non-applicable consents submitted by the regulated sector.

Cross Border Cash (Currency)

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. If an individual does not declare cash in excess of the prescribed amount then a criminal offence is committed.

The table below shows the number of declarations received for the import and export of cash and bullion. Declarations show imports increased slightly on the previous year whereas exports fell significantly. The reduction in the total number of declarations received in 2020 is minimal considering the travel restrictions imposed as a result of the global coronavirus pandemic.

Table 5 – Number of Import and Export Declarations received per year

	Import	Export	Total
2016	45	35	80
2017	54	46	100
2018	55	26	81
2019	58	34	92
2020	64	10	74

Typologies

SAR Case Study 1

The FIS received a SAR from a Guernsey regulated and licensed entity ('Bank A') in relation to a bank account that they maintain for a Guernsey registered company owned by a Guernsey trust administered by a Guernsey regulated and licensed trust company ('Trust A'). Bank A identified that the settlors and beneficiaries of Trust A were two subjects ('Person A' and 'Person B') who are resident in a foreign country. During a review of the relationship, adverse media identified that Person A and Person B had been charged with money laundering and bribery in a foreign jurisdiction ('Country A'). Bank A suspected that circa £1.5 million held in the bank account could represent the proceeds of crime, specifically bribery and corruption.

The FIS disseminated the intelligence from the SAR to Country A's FIU, and to the International Anti-Corruption Co-ordination Centre (IACCC), under the associate membership scheme. The IACCC subsequently sought consent from

the FIS to disseminate the intelligence to an International Liaison Office ('ILO') in Country A, and local law enforcement in Country A; this consent was granted. The ILO subsequently liaised directly with the lead investigators investigating the bribery case in Country A. Bank A subsequently sought consent from the FIS to exit the relationship with Trust A; consent was withheld by the FIS in order to informally freeze the funds. The FIU in Country A sought consent to share the intelligence with the Public Prosecutors Office in Country A, and further requested that the assets be frozen. A draft Mutual Legal Assistance Request ('MLA') was subsequently received from Country A via the IACCC. The MLA highlighted the bribery and corruption case of Person A and Person B, and also requested that the funds held by Bank A be formally restrained.

This case highlights the IACCC associate membership scheme working effectively and efficiently. In a period of just over three months, intelligence sent to a foreign country investigating a case of bribery and corruption resulted in a MLA being submitted and the funds, circa £1.5 million, are informally frozen pending a formal restraint order being issued by the Royal Court of Guernsey.



SAR Case Study 2

The FIS received a request for assistance from the UK Authorities in relation to a UK National that was under investigation for bribery and corruption ('Person A'). The UK sought assistance from the FIS in obtaining information from a regulated and licensed financial institution ('Bank A'). The FIS subsequently approached Bank A with a formal request for information to assist the UK Authorities utilising the information gathering powers of the Disclosure Regulations.

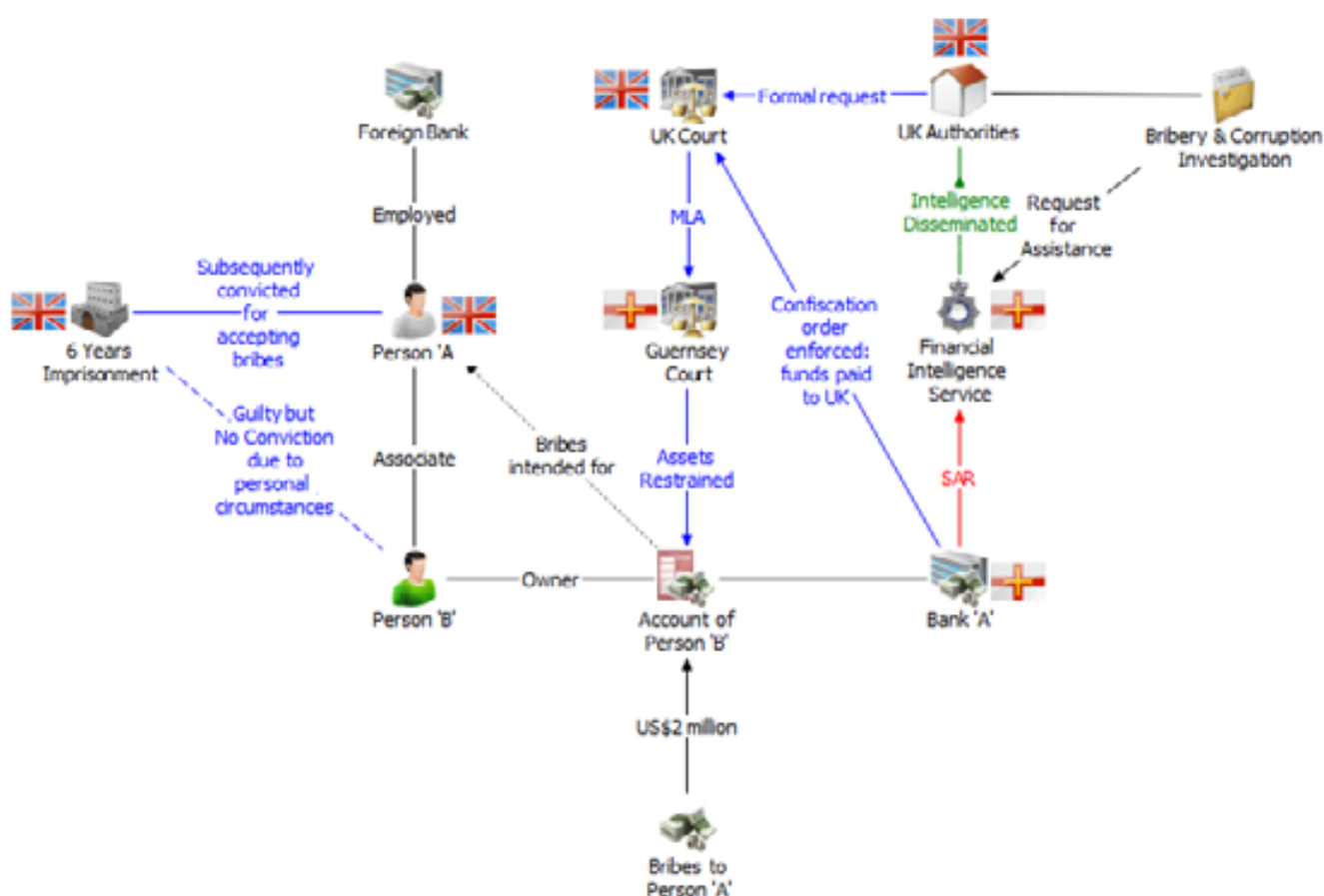
The subsequent investigation established that Person A had received bribes whilst working at a foreign bank. The FIS established that Person A had transferred funds to a relative ('Person B') who controlled a personal bank account in Guernsey. It was established that funds (circa US\$2 million) had been deposited into the account from a consultancy business linked to the bribes received by Person A. The

purpose of using the Guernsey account was to distance Person B from their involvement in the corruption.

Bank A subsequently submitted a SAR and the FIS disseminated the intelligence to the UK Authorities resulting in a formal mutual legal assistance request, and the restraint of the assets by the Guernsey Courts.

Person A was subsequently convicted in the UK for accepting bribes and was sentenced to six years imprisonment. Person B also found guilty but freed from a prison sentence due to personal circumstances.

The UK Court issued a confiscation order which was enforced in Guernsey and by Bank A in 2020, and the Bank was ordered to pay the funds (circa £1.5 million) to the UK Authorities.



SAR Case Study 3

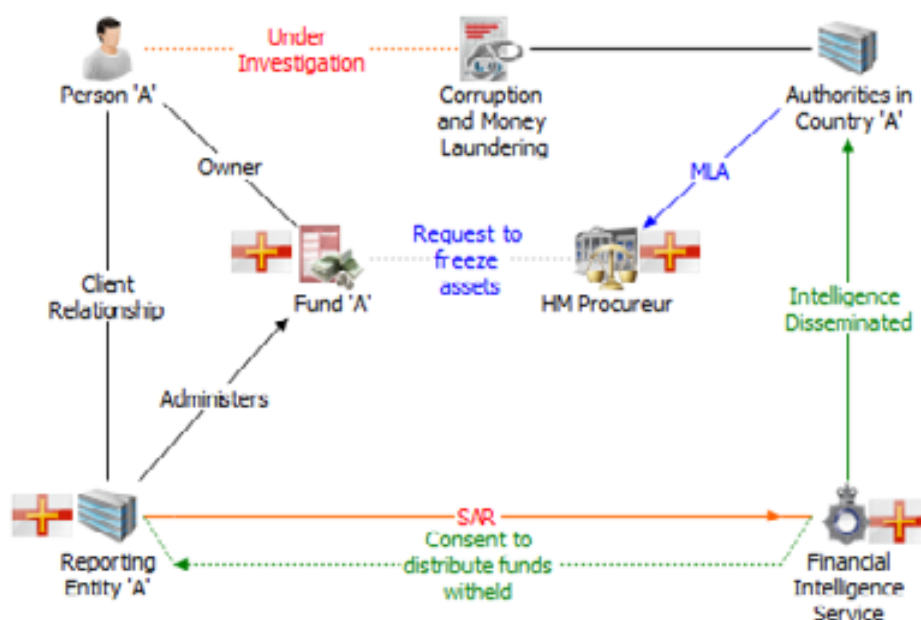
The FIS received a SAR from a Guernsey regulated and licensed investment business ('Reporting Entity A') that administered and controlled a fund for a foreign national resident in Europe ('Person A').

Reporting Entity A identified adverse open source media that Person A was under investigation for corruption and money laundering offences in Country A. A review of the client and source of funds identified a suspicion that the original source of funds could be linked to the corruption in Country A.

Reporting Entity A filed a SAR and the FIS subsequently disseminated intelligence to the FIU in Country A, who confirmed that Person A was being investigated by the judicial authorities for alleged offences including money laundering, collusion and bribery.

Person A was due to receive a number of distributions of circa US\$400,000 from the fund, however consent was withheld until it was established if the authorities in Country A sought assistance from the Guernsey authorities in freezing the assets held locally.

The authorities in Country A subsequently sent a mutual legal assistance request to Her Majesty's Procureur seeking assistance in freezing the assets attributed to Person A within the Bailiwick; investigations are ongoing.



Looking ahead to 2021

The FIS is looking forward to a busy and effective 2021.

On 23rd January 2021, Guernsey entered into its second Lockdown and the FIS, like many other workplaces, had to re-adapt to remote working practices ensuring that there was no lapse in the quality of intelligence being disseminated to our key partners.

With the COVID-19 pandemic still gripping the UK, Europe and further afield, it is highly likely that core business will continue to be conducted with international partners via virtual platforms.

On 2nd April 2021, the FIS entered its 20th year of operation. The FIS continues to play a central role by providing financial information and intelligence that supports the work of law enforcement authorities, AML/CFT supervisors and foreign counterparts. The FIS will continue to stay abreast of the latest guidance and information from international standard-setters in order to cascade training and aid industry to, inter alia, improve the quality of SARs, online reporting and the operation of AML/CFT systems.

This is likely to be in the form of presentations, guidance and the creation of comprehensive interactive e-learning modules including (but not limited to) terrorist financing, bribery and corruption and proliferation financing.

Following the positive consultation with industry in 2020, the FIU intends to develop and establish a MLRO Forum. This will enable the exchange of ideas and concepts relating to Themis, wider AML/CFT issues and encourage cross sector learning and good practice.

The FIS will also be publishing guidance on the Bailiwick's consent regime in 2021.

Finally, following the success of the UK Joint Money Laundering Intelligence Taskforce (JMLIT) and the accomplishments of such structures internationally, the States of Guernsey will be considering the establishment of a similar arrangement with industry.

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