

Bailiwick of Guernsey Financial Intelligence Unit Annual Report 2021



Bailiwick of Guernsey
Financial Intelligence Unit

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Foreword

I am pleased to present the Bailiwick of Guernsey Financial Intelligence Unit (FIU) Annual Report for 2021. The FIU has once again had a challenging and busy yet efficacious year with incoming Suspicious Activity Reports reaching a new high of 3,600. The FIU added tangible value to the information that it received, analysed and disseminated during the year and achieved numerous outcomes during 2021, including assisting partner agencies with the recovery of assets and undertaking outreach to industry in the form of presentations and guidance documents.

At the start of the year, Guernsey entered into its second lockdown and from 23rd January 2021 the FIU swiftly re-adapted to remote working practices, ensuring that there was no lapse in the quality or timeliness of the intelligence being developed and disseminated to domestic and international agencies.

On 2nd April 2021, the FIU entered its 20th year since inception as the Financial Intelligence Service. Whilst the methodology and techniques deployed by illicit actors have altered over the past 20 years, the FIU's strategies, systems and working practices have evolved and adapted to keep abreast of these changes in order to remain effective in the fight against economic crime, terrorist financing and proliferation financing.

In November 2021, the States of Guernsey approved changes to strengthen legislation relating to financial crime and, subject to due process, the Economic and Financial Crime Bureau and the Financial Intelligence Unit (Bailiwick of Guernsey) Law, 2021 is likely to be enacted in 2022 once approved by the UK Privy Council. The former Financial Intelligence Service

was officially re-branded to become the Financial Intelligence Unit, following consultation with the Director of the Economic & Financial Crime Bureau (EFCB), albeit its core functions remain the same and it will be operationally independent from the EFCB. The Head of FIU will provide this annual report to the Director of the EFCB and the Committee for Home Affairs outlining the FIU's activities and effectiveness for the year.

To support the FIU's Strategic Plan, the FIU increased its resources during 2021 by recruiting an additional Financial Intelligence Officer and a Strategic Analyst. The FIU's capacity is currently thirteen full time staff and two part-time staff, including an officer seconded from the Revenue Service.

During 2021, the FIU built upon the success of its SAR guidance by issuing consent regime guidance to industry. Feedback from industry was resoundingly positive and the FIU will to continue to release further e-learning and guidance to aid industry with its AML/CFT responsibilities. Going forward, this will include publishing typologies and risk indicators on key high risk topics as part of the FIU's outreach to industry programme.

I wish to extend my gratitude to all the FIU staff and our various colleagues in both the Bailiwick's public and private sectors for another constructive year. I look forward to our continued collaboration in the fight against money laundering, terrorist financing and proliferation financing.

Finally I would like to acknowledge the ongoing support that has been provided to the FIU by the Committee for Home Affairs during 2021 and look forward to continue working with them in 2022.

Adrian Hale

*Head of the Bailiwick of Guernsey
Financial Intelligence Unit*

FIU Objectives

Financial intelligence is key to the investigation of money laundering, associated offences, terrorist financing, and proliferation financing.

The FIU will work collaboratively with our domestic and international partners in the fight against economic crime, terrorist financing and proliferation financing.

The three primary objectives of the FIU are:



To gather, analyse and disseminate intelligence relating to suspected 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 that are suspected to underpin these crime types.



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 methodologies to help identify criminal and terrorist financing related trends and patterns.

FIU Strategic Plan

The FIU Strategic Plan 2022-24 focuses on the key imperatives of the Bailiwick's wider AML/CFT strategy to combat money laundering, terrorist and proliferation financing. This strategic plan also addresses the areas of risk identified in the Bailiwick's National Risk Assessment and aligns to the objectives of the Economic & Financial Crime Bureau's Business Plan.

The FIU's strategic objectives for the next three years are:



To identify money laundering, terrorist and proliferation financing related trends, emerging threats and patterns to inform the Bailiwick of Guernsey National Risk Assessment and the development of the Bailiwick's Financial Crime Strategy.



To develop and improve the effectiveness of financial intelligence to identify and tackle economic and financial crime both domestically and internationally. To identify potential cases commensurate with the Bailiwick's NRA and work with the EFCB in developing money laundering and terrorist financing cases collaboratively using the financial and evidential tools / legislation available to each authority.



To ensure that the FIU maintains the structure and capabilities to operate efficiently and effectively in order to discharge its core functions and comply with International Standards.



To develop a Public Private Partnership recognising the knowledge and skills of the regulated sectors to mitigate the risk of money laundering, terrorist and proliferation financing.

About the FIU

The FIU remains committed to contributing to domestic and global AML/CFT programmes, policies and information exchange networks.

The Bailiwick of Guernsey Financial Intelligence Unit (FIU) acts as the competent authority with the sole responsibility for the receipt, analysis and timely dissemination of Suspicious Activity Reports (SARs) filed by Financial Services Businesses and Non-Financial Services Businesses pursuant to their obligations set out in Part I of The Disclosure (Bailiwick of Guernsey) Law, 2007, or Sections 12, 15 or 15A of Terrorism and Crime (Bailiwick of Guernsey) Law, 2002. The FIU disseminates financial intelligence to appropriate bodies to aid the detection of inter alia money laundering, other predicate offences, terrorist financing and proliferation financing.

The FIU's analytical and intelligence development functions are critical components of the Bailiwick of Guernsey's Anti Money

Laundering/Countering the Financing of Terrorism (AML/CFT) regime that supports regulation and enforcement and helps the financial sector to enhance its AML/CFT systems and processes.

The FIU will work diligently with the EFCB to develop intelligence to identify potential cases of economic and financial crime commensurate with the risks set out in the Bailiwick's National Risk Assessment for money laundering and terrorist financing, this will be a key objective in the FIU's strategic plan for 2022 - 2024.

The FIU has undertaken a detailed analysis of data reported to, and sent from, the FIU during 2021 and, where relevant, has collated data patterns and made observations in respect of data from the previous five years in order to provide a detailed overview of money laundering, terrorist financing and proliferation financing trends relevant to the Bailiwick of Guernsey for the purpose of assisting partners and stakeholders to identify vulnerabilities and potential risks in order to help update their mitigation strategies.



Operational analysis uses available and obtainable information to identify specific targets (e.g. persons, assets and criminal networks), follow the trail of particular suspect activities or transactions and to determine links between these targets and the proceeds of crime, money laundering, predicate offences and/or terrorist financing.

The FIU currently employs a team of five Financial Intelligence Officers managed by two Supervisors, (overseen by an Operations Manager) with support from a THEMIS Administrator and a Tax Inspector on secondment from the Revenue Service. This team undertakes operational analysis on information derived from SARs and from spontaneous intelligence received from other FIUs, and develops the intelligence to identify suspected criminal activity, or regulatory breaches, for onward dissemination to relevant domestic and international agencies for their consideration of appropriate actions and interventions.



Strategic analysis uses obtainable information to identify money laundering and terrorist financing related trends and patterns and to determine money laundering and terrorist financing related threats and vulnerabilities.

The FIU currently employs a team of two Strategic Analysts managed by a Senior Strategic Analyst and supported by two Processing Managers/Support Analysts. This small but pivotal team analyses qualitative and quantitative data to identify developing trends and emerging threats in order to produce timely and well-formulated strategic products that provide vital intelligence insights for the senior management for the FIU and the AML/CFT authorities. These strategic products aim to assist the authorities and finance industry with the identification of key priorities and aid the development of the Bailiwick's financial crime strategy taking due consideration of the Bailiwick's National Risk Assessment (NRA).

The Strategic Analysts collaborate closely with domestic agencies such as the Economic & Financial Crime Bureau (EFCB), Guernsey Financial Services Commission (GFSC), Alderney Gambling Control Commission (AGCC), Bailiwick

of Guernsey Law Enforcement, Policy & Resources Committee, Guernsey Registry and the Revenue Service in order to identify trends associated with money laundering, terrorist and proliferation financing risks, and also to aid the assessment of emerging threats. An example of this collaborative working was seen in the third quarter of 2021 when, on 3rd October 2021, the International Consortium of Investigative Journalists (ICIJ) published the Pandora Papers. The FIU used this data in conjunction its own intelligence and relevant data held by domestic partners and stakeholders, to assess the impact of the disclosure on Guernsey's AML/CFT regimes and commensurate risks arising from the analysis. Ultimately, the FIU concluded that the risk of exposure to the Bailiwick from the Pandora Papers was low.

The FIU's Strategic Analysts have undertaken internal and external training during 2021 to develop their skills and knowledge in this key area of work. They have utilised these skills to produce various internal reports during 2021 including a strategic analysis on beneficial ownership requests received by the FIU and an in-depth strategic report on bribery and corruption. These reports assisted the FIU in identifying emerging trends and potential vulnerabilities in order to make recommendations and influence future strategic planning, including the proposed release of various documents detailing risk indicators and typologies to industry in 2022. The Strategic Analysts will continue to develop further internal strategic reports in 2022 on emerging threats such as virtual currencies.

Our System: Themis

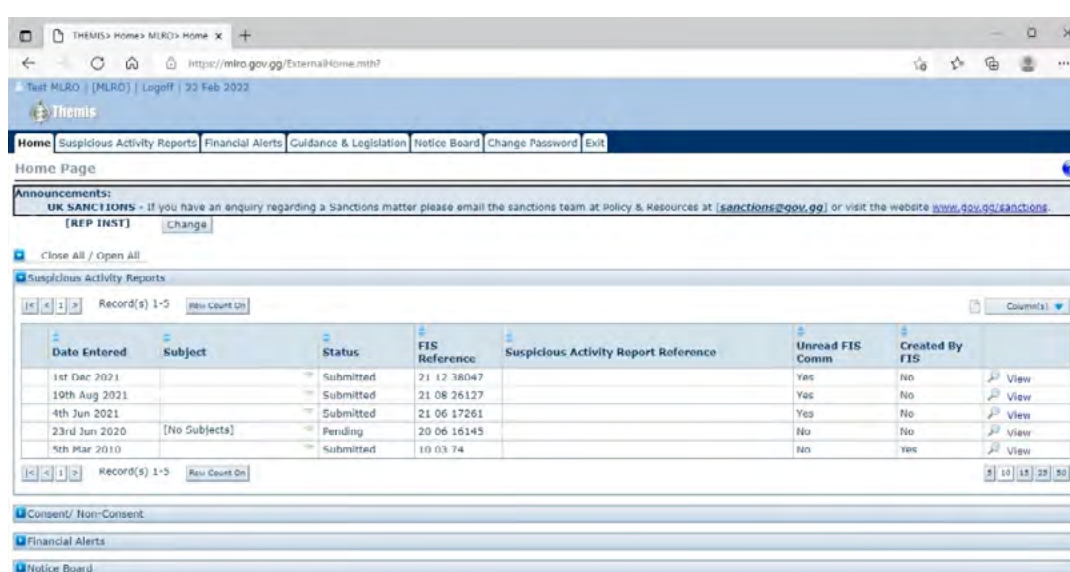
The prescribed manner for the reporting of SARs to the FIU is via an online portal named THEMIS, pursuant to the Disclosure (Bailiwick of Guernsey) Law 2007. Entities with a presence in the Bailiwick of Guernsey for which money laundering or terrorist financing reporting obligations apply are obliged to register for access to the THEMIS portal in order to submit SARs to the FIU and also to receive important notices, guidance and information from the FIU, including Sanctions Notices issued on behalf of the Policy & Resources Committee. As of December 2021, the FIU had 675 active THEMIS external users registered to report on behalf of over 300 registered entities.

As well as being the database by which SAR data is received and analysed, THEMIS is also the FIU's central repository for collating and processing international requests for assistance and spontaneous intelligence.

THEMIS is a secure configurable system with a tasking function and is used by the FIU to streamline workflow processes, to collate open and closed source search outcomes, to

record the operational analysis undertaken on cases and produce intelligence reports for dissemination to relevant agencies for investigation, and to receive feedback and record outcomes. It has advanced searching and reporting functions and can be data mined to extract, collate and report on statistical data in order to show trends and patterns which are vital for producing strategic products.

Currently, THEMIS is used by two other FIUs, specifically Gibraltar and the Isle of Man. A THEMIS Working Group (TWG) was established in 2020 to bring together the three jurisdictions along with the software developer. The TWG meets regularly to scope out enhancements and develop improved functionality to ensure that the respective THEMIS systems remain relevant and fit for purpose. During 2021, the FIU, in conjunction with the software developers and IT support staff, upgraded the THEMIS infrastructure and various elements of THEMIS including improvements to notices and letters. Further enhancements are currently being scoped at both a local level and collaboratively with the TWG and are anticipated to be developed for release in stages during 2022 and 2023.



An image of an MLRO Portal Home page

Suspicious Activity Reports



3,600 SARs received in 2021, a 17% increase from the previous year



Money Laundering was the most reported suspected criminality in 2021



The eGambling sector submitted 79% of all SARs in 2021



High-risk jurisdictions appeared in less than 1% of SARs

The suspicion of money laundering or suspicion that certain property is derived from criminal conduct is reported to the FIU via THEMIS under the Disclosure (Bailiwick of Guernsey) Law, 2007 (the Disclosure Law) and the knowledge or suspicion of terrorist financing is reported to the FIU via THEMIS under The

Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 (the Terrorism Law). During 2021, the FIU received 3,583 SARs under the Disclosure Law and 17 SARs submitted under the Terrorism Law, giving a new recorded high of 3,600 SARs received in 2021.

SARs Received by the FIU

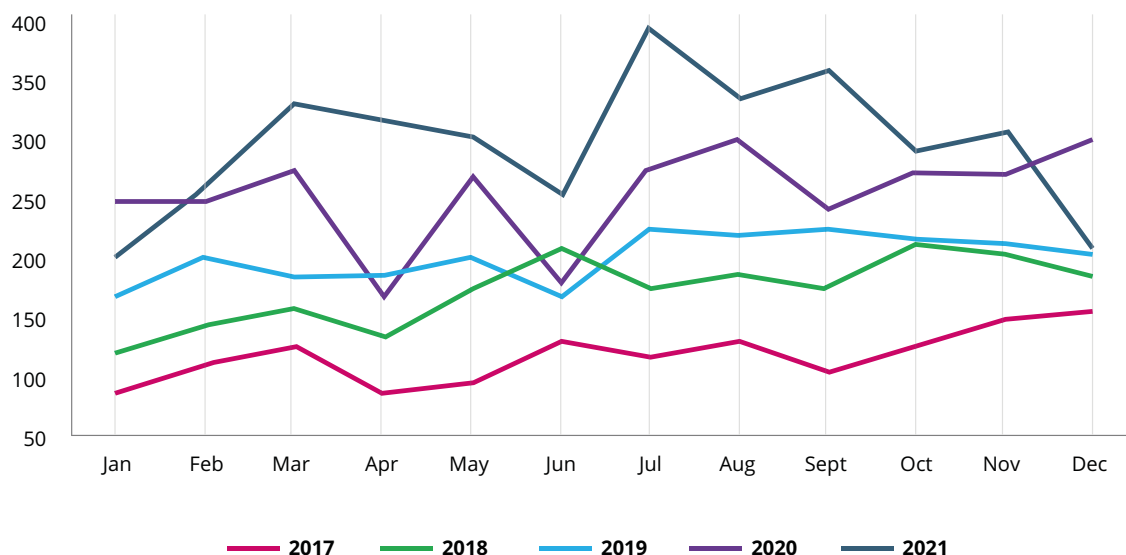


Figure 1: Line chart showing a monthly count of SARs received by the FIU per year

Reporting Sectors

Analysis of the SARs received in 2021 identified that the largest reporting sector remained the eGambling sector (79%), followed by Trust and Company Service Providers (TCSPs) (8%) and Banks (7%), which is a similar pattern to previous reported years. There is a significant eGambling sector regulated in Alderney with a large international client base. The eGambling sector received a residual risk rating of 'medium lower' for money laundering in the 2019 NRA. A review of eGambling SARs received during 2021 confirmed that the risk remains low. The vast majority of reports were dual reported to UK authorities. The increase in SARs from this sector has been largely contributed to one main licensee with a substantial client base. The main reason for suspicion was cited as being the identification of adverse media relating to their clients or client non-compliance with requests for due diligence documentation or further information.

After eGambling, the highest submitting sectors of SARs in 2021 were TCSPs, Banks and Investments & Securities, all of which were rated as 'higher' or 'medium higher' risk sectors for money laundering within the NRA. The sectors that saw a notable increase of SARs in 2021 were Regulatory Authorities and Estate Agents. Currency Exchanges also saw an increase since 2020 when travel restrictions caused by the COVID-19 pandemic greatly impacted the industry. SARs from Legal Professionals remained roughly on par with recent years, whereas Insurance and High Value Dealers appeared to return to pre-pandemic levels. The sectors that saw a slight decrease in 2021 were Banks, Accountants, Non-Regulated FSBs and Investment & Securities.

SARs Submitted per Reporting Sector

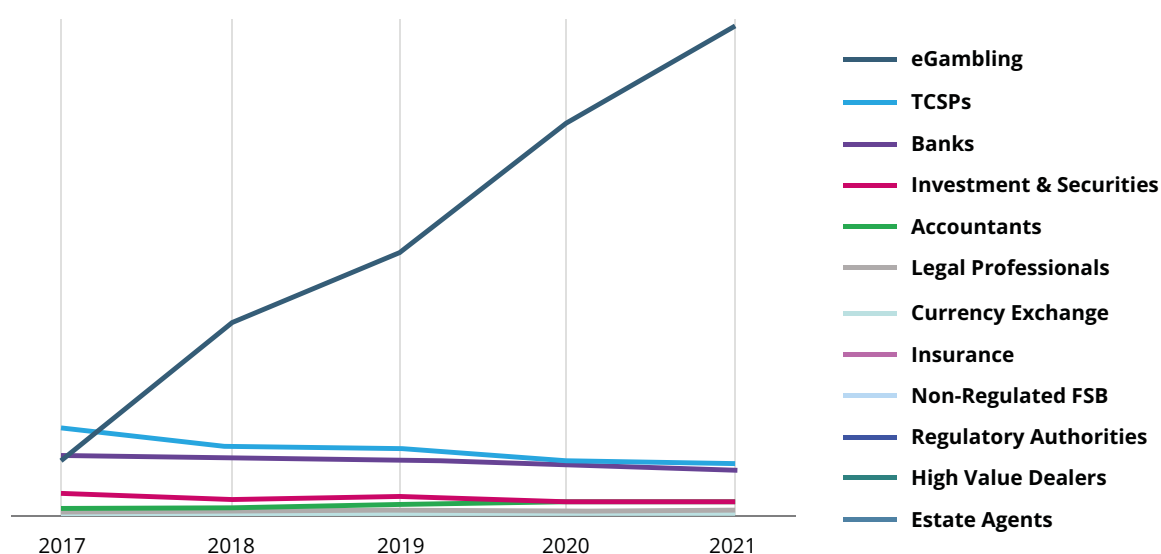


Figure 2: Line chart showing a count of SARs submitted per reporting sector

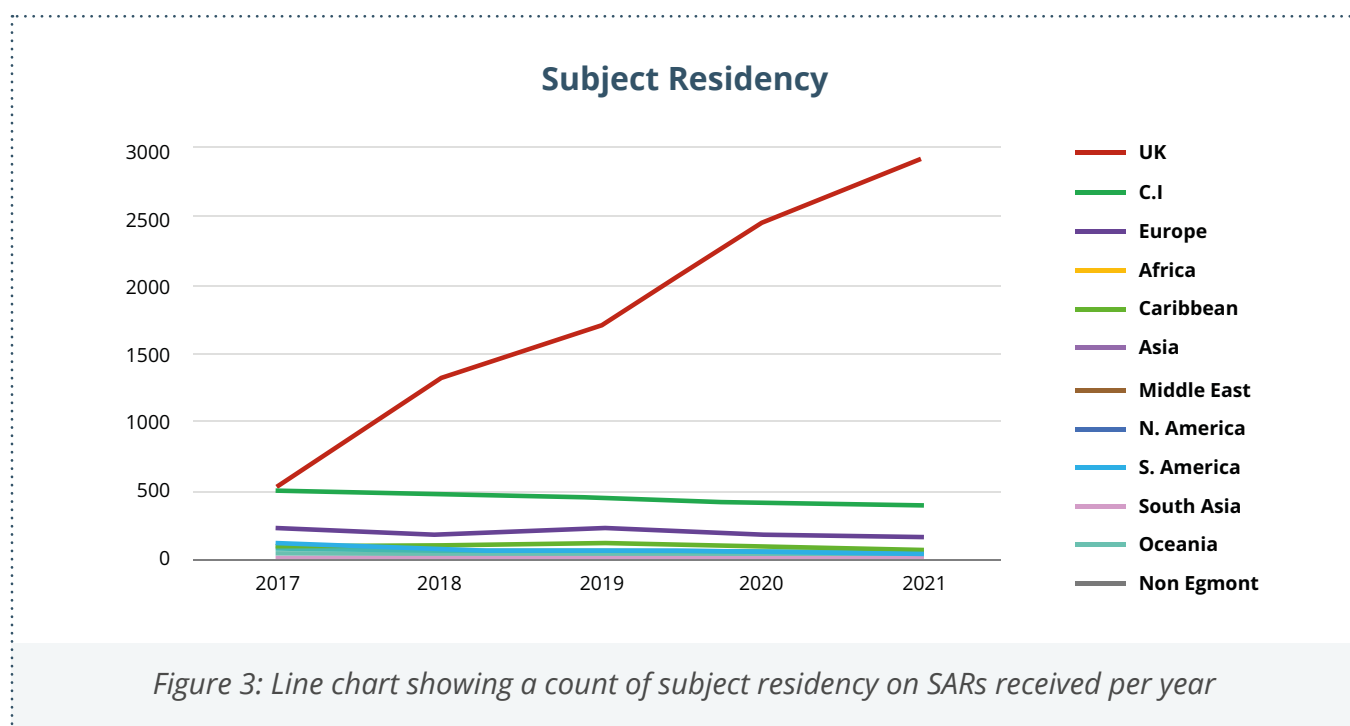
Subject Residency within SARs

The primary area of residence of the subjects reported within SARs during 2021 was the UK (75%), followed by Channel Islands (10%) and then Europe (4%). High-risk and other monitored jurisdictions identified by the Financial Action Task Force (FATF) and within our NRA appeared in less than 1% of the total SARs, for example; Iran, Cayman Islands, Turkey, Malta, Pakistan and others.

The FIU continues to see an increase in SARs pertaining to UK residents and a gradual decrease in SARs concerning Channel Island and European residents. This change is commensurate with the increase identified in SARs reported by the e-Gambling sector which has a large customer base in the UK, together with the slight decrease identified in SARs received from Retail Banks and Insurance who predominantly have Channel Island clients, and the slight decrease identified in SARs received from the International Banks, TCSPs and Investment & Securities who are more likely to have a cross-border client base.

With regards to other international jurisdictions, the number of subjects identified as being resident in Africa and the Middle East has increased in recent years. The rise may be due, in part, to the release of the ICIJ Pandora Papers and the implementation of various sanctions contributing to an increased awareness and leading to reporting sectors identifying more subjects resident in these higher risk regions.

The number of subjects resident in the Caribbean, South Asia, South America and Non-Egmont regions that are referenced within SARs have continued to decline slightly. This is believed to be due, in part, to a lack of commercial appetite locally for business from higher risk jurisdictions.



Suspected Criminality on SARs

The analysis of the SARs has identified that money laundering continues to be the most reported suspected criminality in 2021 across all sectors, accounting for 88% of all SARs submitted to the FIU, followed by fraud, false accounting or forgery (5%), tax evasion (5%) and bribery & corruption (1%). This remains consistent with the findings of the NRA.

The eGambling sector were the highest reporting sector of money laundering in 2021, whereas Banks reported the most suspicions of fraud, false accounting or forgery and insider trading & market manipulation, and TCSP's were the highest reporting sector of bribery & corruption and tax evasion.

Whilst the FIU continues to monitor incoming SARs for emerging international threats from offences such as human trafficking, modern day slavery and the illegal wildlife trade, to-date there have been no SARs indicating that Guernsey is being used to launder the proceeds of these offences.

Defensive Disclosures

The FIU consider a SAR to be defensive if the reason for suspicion has derived from an approach made by a regulatory or law enforcement agency which has then prompted a SAR when the entity had not previously held a suspicion that they reasoned was above their threshold to necessitate a disclosure to the FIU.

Defensive SARs accounted for 6% of all SARs reported in 2021, a reduction on the 8% received in 2020. The predominant sector for submitting defensive SARs in 2021 was the eGambling sector with 53%, followed by Banks (26%) and TCSPs (14%).

% SARs per Suspected Criminality in 2021

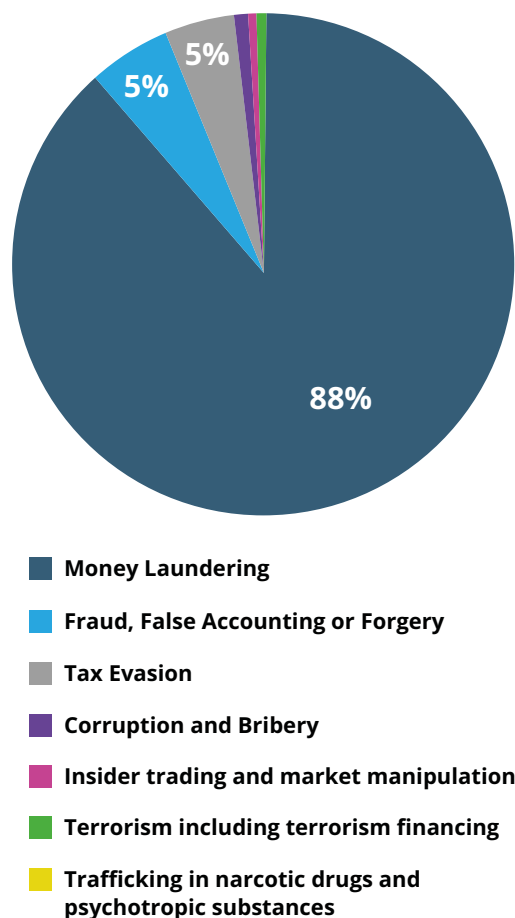


Figure 4: Pie chart showing the percentage of SARs submitted in 2021 per suspected criminality



Attempted Transactions

Attempted transactions are defined as approaches made by entities or natural persons to conduct new business or attempt to transact with a reporting entity that were declined due to suspicions before any activity or losses occurred. The FIU provided reporting entities with guidance on the reporting of attempted transactions in 2020¹, a copy of which can be found on the FIU website. There has been a gradual decrease in the percentage of attempted transactions reported to the FIU since 2017.

In 2021, 4% of the 3,600 SARs received by the FIU were related to attempted transactions, the majority of which were received from

% SARs Reporting Attempted Transactions

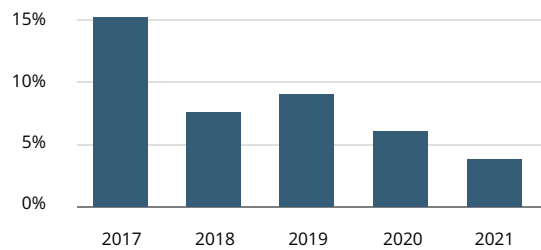


Figure 5: Percentage of SARs reporting attempted transactions per year

TCSPs (38%), Banks (28%) and Investments & Securities (11%). The predominant suspected criminality reported upon in respect of attempted transactions was money laundering (43%) followed by fraud, false accounting or forgery (35%) and tax evasion (14%).

Non-Profit Organisations (NPOs) withing SARs

Charities and Non-Profit Organisations (NPOs) are at risk from abuse by illicit actors for money laundering or terrorist financing. FATF have continuously highlighted the need to take a risk-based approach to addressing threats and refining measures to protect NPOs from being abused whilst maintaining a proportionate approach in implementing their standards to avoid disrupting or discouraging legitimate non-profit activities.

A total of eleven SARs (0.3%) submitted to the FIU in 2021 were identified as having a reference to a charity, charitable trust or NPO, of which the majority showed that they were the victim of crime and not directly under any suspicion. The most prevalent suspected criminality was money laundering derived from criminality in other jurisdictions, followed by

% SARs Referencing NPOs

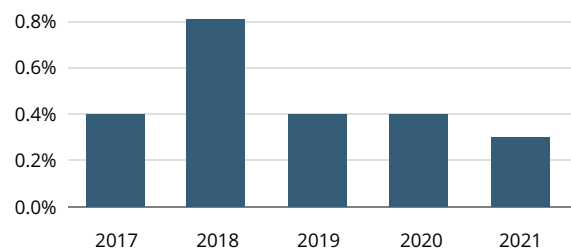


Figure 6: Percentage of SARs referencing Non-Profit Organisation per year

fraud, false accounting or forgery (e.g. phishing emails or misappropriation) and tax evasion in other jurisdictions. TCSPs submitted the most reports with a reference to NPOs (27%) in 2021. Although Banks only submitted 9%, there remains a risk that NPO bank accounts could be used for the layering or laundering of proceeds of crime, or be targeted for fraud, so Banks are urged to remain vigilant for suspicious transactions involving NPO accounts.

Politically Exposed Persons (PEP)

The FIU defines a Politically Exposed Person (PEP) as 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, whether that function is relating to a government post, executive position at a major firm or a member of a royal family. PEPs are considered a high risk because they hold positions that can be abused for bribery and corruption or money laundering and elected officials may pose a greater sanctions risk. The FIU recognises that domestic PEPs have less risk than PEPs in foreign countries.

% SARs Referencing a PEP per Suspected Criminality

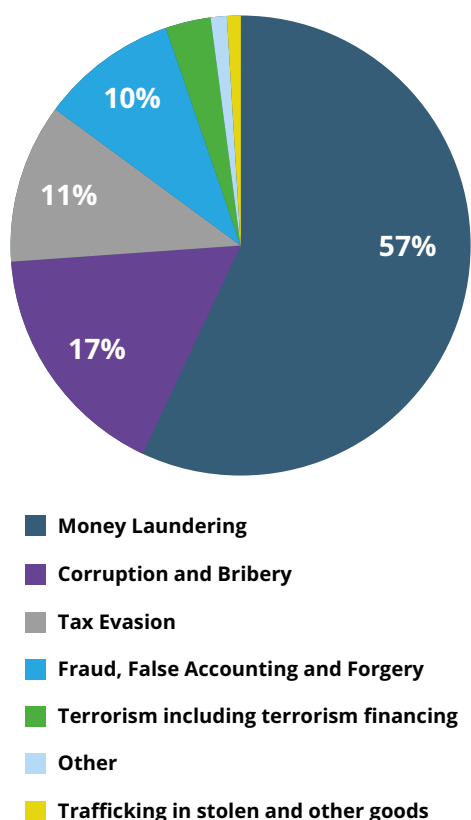


Figure 8: Pie chart showing the percentage of SARs referencing a PEP in 2021 per suspected criminality

% SARs Referencing a PEP

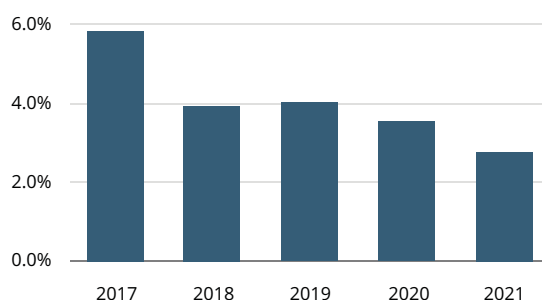


Figure 7: Bar chart showing the percentage of SARs referencing a PEP per year

In 2021, the FIU identified one hundred SARs with a reference to a PEP. This number is on par with recent years; one hundred and eight reported in 2020 and ninety-seven in 2019, however, due to the overall increase in SARs, this marks a reduction in the percentage of PEP linked SARs, from 3.5% in 2020 to 2.75% in 2021.

TCSPs continue to submit the highest proportion of SARs with references to a PEP (44%), followed by Banks (21%), Legal Providers (13%) and Investments & Securities (8%). This is as expected and reflects the highly international nature of work within these sectors.

The predominant suspected criminality reported upon in 2021 was money laundering (57%) followed by bribery & corruption (17%), tax evasion (11%) and fraud, false accounting or forgery (10%).

Analysis revealed that half of the SARs identified with a reference to a PEP were reported upon due to adverse media information. Other prominent grounds for suspicion included adverse due diligence and high risk business activity.

No SARs received during 2021 identified any involvement with locally resident PEPs.

Proliferation & Proliferation Financing (PF)



Local proliferations & proliferation financing risk remained low in 2021



The FIU screens all incoming SARs for indicators of proliferation and PF



Guernsey should continue to employ a risk-based approach in relation to PF

Preventing proliferation financing (PF) 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. Since 2016, the FIU has routinely screened all incoming information for indicators of proliferation or proliferation financing. In 2021, the FIU conducted a strategic review of the risks to the Bailiwick of Guernsey posed by proliferation and proliferation financing. The number of SARs submitted in relation to suspected proliferation or PF remains low and as such, clear trends were

difficult to identify. The FIU ensured that it captured all available data from incoming intelligence over the previous five years and concluded that the risk was low.

Whilst the threat of proliferation or PF being undertaken locally is low, it remains imperative that Guernsey continues to employ a high risk approach and continues to monitor its proliferation and PF risks. The FIU shall continue to monitor emerging geopolitical events and to undertake training to stay abreast of the complexities of evolving sanctions evasion tactics and proliferation methods.



Terrorism & Terrorist Financing (TF)



TF was referenced in less than 1% of SARs received during 2021



No SARs received during 2021 indicated terrorism activity in the Bailiwick of Guernsey



The majority of TF references in SARs were identified through media articles

Terrorist financing (TF) provides funds for terrorist activity. It may involve funds raised from legitimate sources such as charitable donations and profits from businesses as well as secondary terrorist financing from criminal sources such as drug trafficking, fraud, smuggling weapons, kidnapping and extortion. Financial Intelligence Units can be crucial in identifying the purchase of materials that could be used in a terrorist attack and financial indicators can help detect relevant transactions prior to an attack.

During 2021, FIU staff undertook specialist training in respect of identifying and developing intelligence in relation to TF threats, with further training anticipated to be conducted in 2022.

The 2019 National Risk Assessment² (NRA) classified the residual risk rating of all local sectors and products as 'very much lower' in respect of financing domestic terrorist activity, and 'lower' or 'much lower' in relation to financing foreign terrorist activity. The prominent risks posed locally were from cross-border products and services being used to support foreign terrorism, with an extremely low risk of funds being raised to support domestic terrorist activity.

% SARs Referencing TF

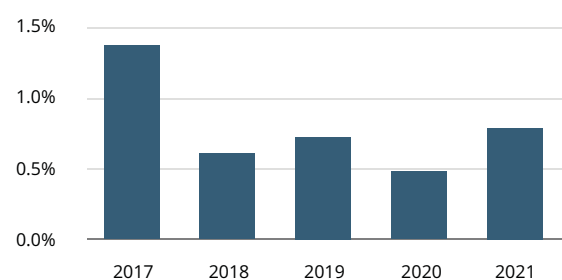


Figure 9: Bar Chart showing the percentage of SARs referencing TF per year

In 2021, the FIU received twenty-nine SARs that contained references to, or indicators of, terrorism or terrorist funding which accounted for only 0.8% of all SARs. None of these SARs contained any inferences to local terrorist activity. The number of SARs submitted in relation to suspected terrorism or terrorist financing remains low, and as such, clear trends were difficult to identify.

The highest reporting sector of TF related SARs was eGambling (48%) followed by TCSPs (24%) and Banks (21%). The majority referred to a suspicion of money laundering with the TF reference mainly being identified from open source articles rather than via suspicious

transactions. Half of the TF related SARs were dual reported to UK authorities and a third (33%) resulted in intelligence being disseminated to international or domestic agencies. It was noted that a small proportion of these SARs were attempted transactions where no relationship was instigated and no transactions took place.

The FIU screens all incoming SARs for TF indicators and whenever a potential threat has been identified, the FIU acts swiftly with the Guernsey Special Branch as agreed in the FIU and BLE Policy for the assessment and investigation of Terrorism Financing. In the UK, it is the responsibility of the Counter Terrorism Network to manage potential TF SARs. In the Bailiwick, this is a joint effort in view of the

specialist roles and IT involved and it means that subjects or entities can be immediately checked against the UK national CT Database and relevant action can be taken instantly or as appropriate.

A review of the SARs going back 4 years took place during 2021 and the outcomes remain to be fully analysed, however the following conclusions can be reached:

1

The FIU assesses terrorism based on the Proscribed Organisation listed under Schedule 1, the Terrorism and Crime (BoG) Law 2002. This Schedule contains the names of Domestic and International Terrorist organisations defined in law. Other extremist activity may be captured as determined under the National Standards for Intelligence Management (for terrorism and national security). In other cases, an evaluation is made as to whether the terrorist references result from a countries internal politics, which may not necessarily be deemed as TF.

2

In cases where TF has been confirmed, it related to subjects in the UK already known to be linked to terrorist activity there but where the Guernsey SAR data enhanced the financial profile of that person, which was passed to the relevant CT Unit.

This approach reflects the current UK best practice and is presently unique in the Crown Dependencies. It ensures that there is a dynamic assessment for relevance and if appropriate the immediate engagement of CT partners whether nationally (UK) or as part of the UK CT International Liaison Officer Network, ensuring an effective response locally, domestically or overseas.

% SARs Referencing TF in 2021 per Reporting Sector

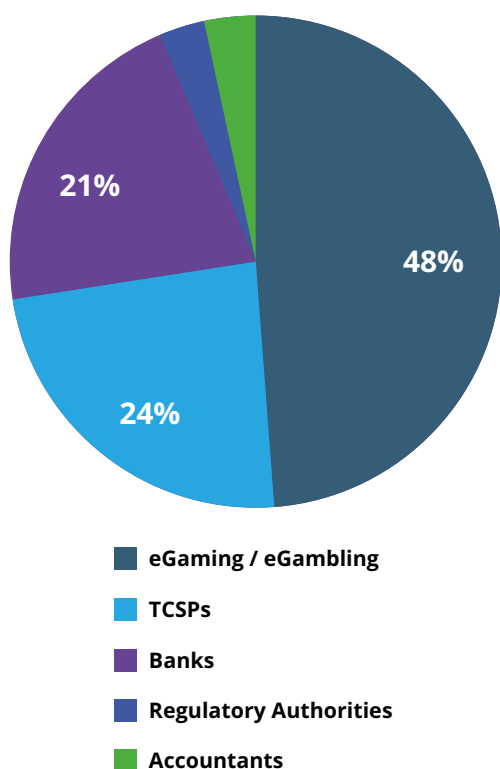


Figure 10: Pie Chart showing the percentage of SARs referencing TF per sector in 2021

All relevant information or international exchange is managed using approved secure IT, which enables the FIU to obtain, collate and manage cases, adds tangible value to relevant organisations and ensure disseminations in a timely and effective method.

With regards to outcomes, analysis of the twenty-nine SARs negated the suspicions of TF occurring locally. Intelligence from several of these SARs concerning alternative criminality (e.g. money laundering) or suspicion of TF occurring in other jurisdictions was disseminated to the relevant domestic and international agencies. Feedback from one

of these disseminations indicated that the intelligence provided had been shared with a UK CT Unit and had been extremely useful in assisting their case development.

Whilst the risk of terrorism or TF occurring locally is low, the severity of the consequences should it occur means that terrorism and TF remains a high priority. Reporting entities are advised to familiarise themselves with the terrorist financing guidance documents and case studies³ available on the FATF website.

Sanctions



Guernsey has its own Sanctions regime which is the responsibility of the Policy & Resources Committee



Less than 1% of SARs in 2021 contained a reference to Sanctions



Thirty-four Sanctions notices were distributed via THEMIS during 2021

Sanctions are legal restrictions imposed on countries, sectors, business or individuals by governments or international organisations such as the United Nations (UN), the Office of Financial Assets Control (OFAC), European Union (EU) or HM Treasury in the UK to achieve specific policy or security objectives. Subjects may be designated as a result of actions including terrorism and terrorist financing, human rights violations, treaty violations, arms trafficking, drugs trafficking and cyber-crime.

Guernsey has its own sanctions regime⁴ separate from other jurisdictions, which is

the responsibility of the Policy & Resources Committee. Under the Sanctions (Bailiwick of Guernsey) Law, 2018, there are specific reporting obligations applicable to businesses that are subject to the Bailiwick's AML/CFT regime.

The UK introduced some post-Brexit changes in respect of the sanctions framework, and Guernsey's policy was to mirror the UK's sanction regime by putting in place various legislative steps including the Sanctions (Implementation of UK Regimes) (Bailiwick of Guernsey) (Brexit) Regulations, 2020, enacted

by the Policy & Resources Committee on 31 December 2020.

Any suspected sanctions breaches must be reported to the Policy & Resources Committee. Where any suspicious financial activity is identified in relation to potential sanctions breaches, a SAR may also be submitted to the FIU at the discretion of the reporting entity. Analysis identified twenty-six SARs (0.7%) received by the FIU during 2021 that contained a reference to sanctions, of which half were submitted by TCSPs with a further 15% received from Banks and 12% from regulatory authorities. There was a wide-spread variety of sanction types referenced within SARs including administrative, financial, treasury and regulatory sanctions imposed by the EU, US, UK and Swiss. The majority were submitted under a suspected criminality of money laundering (69%) or bribery & corruption (19%). The

countries most referenced within the sanctions identified were Russia (23%), Ukraine (15%) and Syria (12%); other high risk countries identified included Iran, DPRK, Lebanon and South Sudan. All pertinent information on SARs pertaining to sanctioned subjects was shared with the relevant authorities, including the Policy & Resources Committee.

The FIU is an active member of the Bailiwick of Guernsey's Sanctions Committee and distributes updates on sanction regimes via THEMIS to the private sector. In 2021, the FIU expediently distributed thirty-four sanctions notices to all active registered MLROs on behalf of the Policy and Resources Committee.

COVID-Related Crime



Six SARs identified regarding COVID-related crime during 2021



No local COVID-related crime identified within 2021 SARs



Threat of COVID-related crime appears to be reducing as restrictions ease

The COVID-19 pandemic led to unprecedented global challenges, human suffering, economic disruption and an increase in COVID-19-related crimes⁵. Since the start of the pandemic, criminals have sought to exploit the crisis to commit scams, fraud and cybercrime.

During 2021, the FIU kept apprised of the evolving situation through guidance, online

training, updates and typologies published by experts on behalf of bodies such as EGMONT and FATF. Criminals have profited from the pandemic in a variety of ways, including fraudulent diversion of government aid, fake fundraising campaigns, COVID related email and SMS phishing schemes, and the counterfeiting of medical supplies and vaccines, to name but a few.

During 2021, the FIU received six SARs with a suspected criminality that related to the COVID-19 pandemic, the majority of which were from the eGambling sector regarding money laundering and fraud in relation to concerns about UK residents misusing government-backed Covid-19 financial support. Although the risk of COVID-related crime occurring locally appears low, the FIU has acknowledged the threat and shall continue to actively monitor the situation and will remain attentive to the changing methods deployed by criminals during the pandemic.

Cooperation and information sharing between the private sector and the FIU is crucial, particularly during this pandemic.

Obtaining Additional Information



Forty-nine Regulation 2 letters were issues during 2021



During 2021, the FIU issued fourteen Regulation 2A letters



The FIU distributed thirty Regulation 2 Section 11A letters in 2021

The FIU 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 whether 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 SAR.

In addition, the Disclosure (Bailiwick of Guernsey) (Information) Regulations, 2019 provides powers for the FIU to obtain additional information from

any parties following a request made to the FIU by any party listed at Section 11A of the Law without the requirement for a SAR to be made.

The FIU will, on receipt of information submitted by parties in the form of a report/request, consider if obtaining additional information is necessary or expedient for the FIU to discharge its functions as prescribed in the Law. The FIU provided guidance to reporting entities in 2020 on their obligation to comply with the regulations⁶ which are shared on the FIU website.

REGULATION 2 LETTERS

A total of forty-nine Regulation 2 letters were issued during 2021. The number of Regulation 2 letters reduced by 26% between 2020 and 2021. The majority of Regulation 2 letters resulted in the information being disseminated out to local and international authorities to assist in their investigations, including a report sent to an international FIU who responded that the subject had been arrested for a severe case of tax evasion and the information provided by the FIU was extremely beneficial to their ongoing investigation. Analysis revealed that several of the SARs containing information collected from Regulation 2 letters assisted the FIU in their analysis which resulted in a temporary freeze of funds (no consent) whilst the jurisdiction in question progressed a mutual assistance request.

REGULATION 2A LETTERS

During 2021, the FIU issued fourteen Regulation 2A letters, 18% less than in 2020. This slight reduction in Regulation 2A letters was due, in part, to third party institutions having already submitted SARs on the subjects (for example; a bank and a TCSP submitting SARs respectively on the same client), negating the need for the FIU to contact third parties to obtain further information. The majority of Regulation 2A letters resulted in the information being disseminated out to local and international authorities to assist in their investigations, including a local investigation which has reached evidential stage and resulted in subsequent money laundering charges for the subject, and a UK investigation into tax evasion resulting in a temporary freeze of funds (no consent) whilst awaiting a mutual assistance request from the UK.

REGULATION 2 SECTION 11A LETTERS

A total of thirty letters were distributed under Regulation 2 Section 11A during 2021, with 43% relating to international requests for information from various jurisdictions including Jersey, UK, USA, Denmark, Egypt and Italy. The information from the enforcement of these regulation letters enhanced the FIUs analysis resulting in the dissemination of intelligence which provided the jurisdiction with the information required to enhance their investigations. Such investigations can take many years to complete, so it is anticipated that feedback on any outcomes may be received in forthcoming years.

The remaining 57% of the Regulation 2 Section 11A letters distributed during 2021 related to domestic requests for information, and the intelligence gathered from them supplemented the FIU analysis and resulted in the dissemination of a number of cases for law enforcement investigation. One of these resulted in an individual being arrested on arrival from the UK with suspected controlled drugs.



Regulation Letters Issued per Year

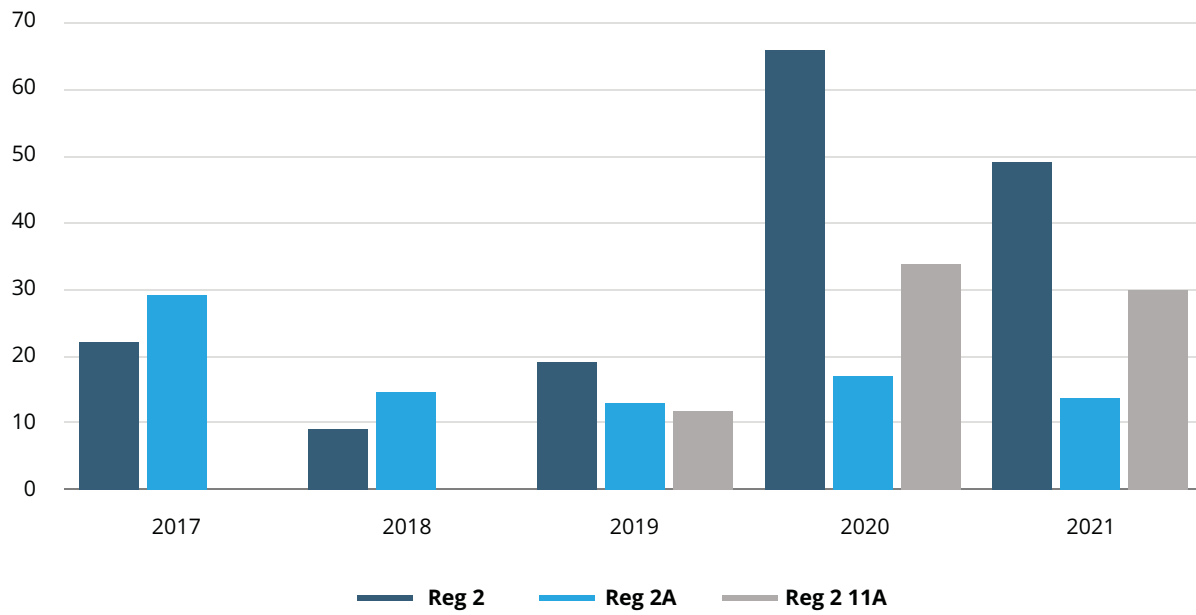


Figure 11: Bar chart showing a count of Regulation 2, 2A and 2 Section 11A Letters distributed per year



Consent Regime



1,328 consent responses sent out by the FIU in 2021



76% of consent requests were granted while 20% were not applicable



Only 4% of consent requests were refused in 2021

A disclosure of a suspicion made to the FIU 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; Sections 57, 58 or 59 of the Drug Trafficking (Bailiwick of Guernsey) Law, 2000 or Sections 8 to 11A of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002.

If a reporting entity suspects that they are undertaking an 'act' where there is knowledge, suspicion or reasonable grounds for knowing or suspecting that another person is engaged in money laundering, or that certain property is, or is derived from, the proceeds of criminal conduct/terrorist financing, and that 'act' would constitute an offence pursuant to the above legislation, a request should be submitted with the SAR outlining the suspected 'act' and seeking 'consent' from the FIU to undertake the 'act'.

The granting of 'consent' by the FIU provides the reporting entity with a statutory defence to a charge of money laundering or terrorist financing in respect of the 'act' undertaken. This statutory defence is only available where consent is obtained prior to a person

undertaking the relevant 'act' which could result in them committing a principle money laundering offence.

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 conduct/terrorist property.
- Does not oblige or mandate the requestor to undertake the proposed 'act'.
- Does not override the private law rights of any person who may be entitled to the property specified in the SAR.
- Does not provide a defence against other criminal offences or regulatory breaches relating to the proposed 'act'.

If the FIU withholds consent, they liaise closely with the reporting entity. The FIU is entitled to withhold consent for as long as it has grounds to suspect that an act involves funds that represent the proceeds of crime/terrorist property.

SARs Received with a Consent Request

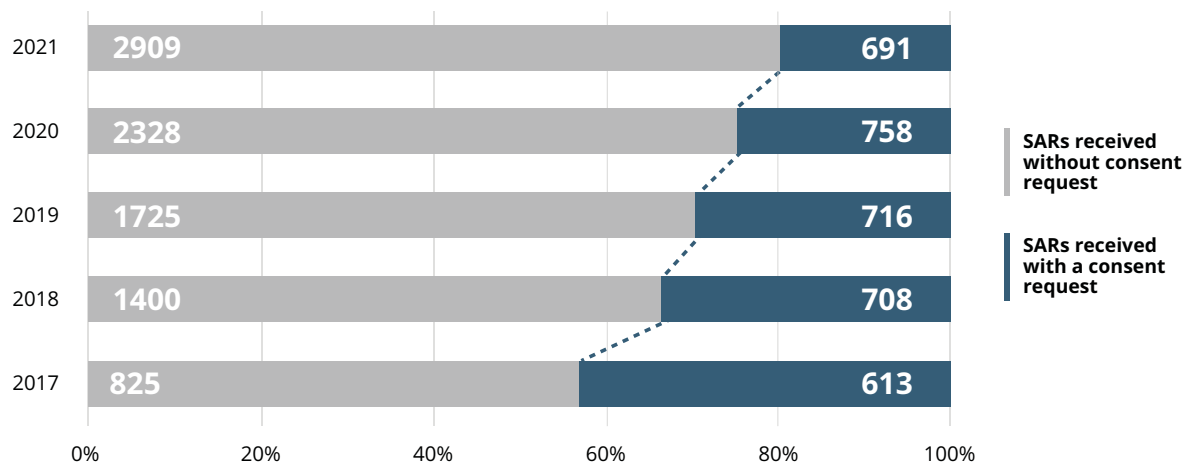


Figure 12: Bar chart showing a yearly count of SARs submitted with and without consent requests

In 2021, 691 SARs were received that included a request for consent pursuant to the Law, accounting for 19% of all SARs received in 2021. As shown in Figure 12, although SARs continue to increase annually, the proportion of SARs containing a consent requests has once again reduced.

Consent requests can be submitted at the same time as a SAR, subsequent to the filing of the SAR or may relate to a pre-existing submission. The FIU issued a total of 1,328 consent responses in 2021, including on SARs reported during previous years, which was a decrease of 8% from 2020, continuing the slight downward trend of consent requests seen since 2019, as illustrated in Figure 13 below.

SAR and Consent Requests Received per Year

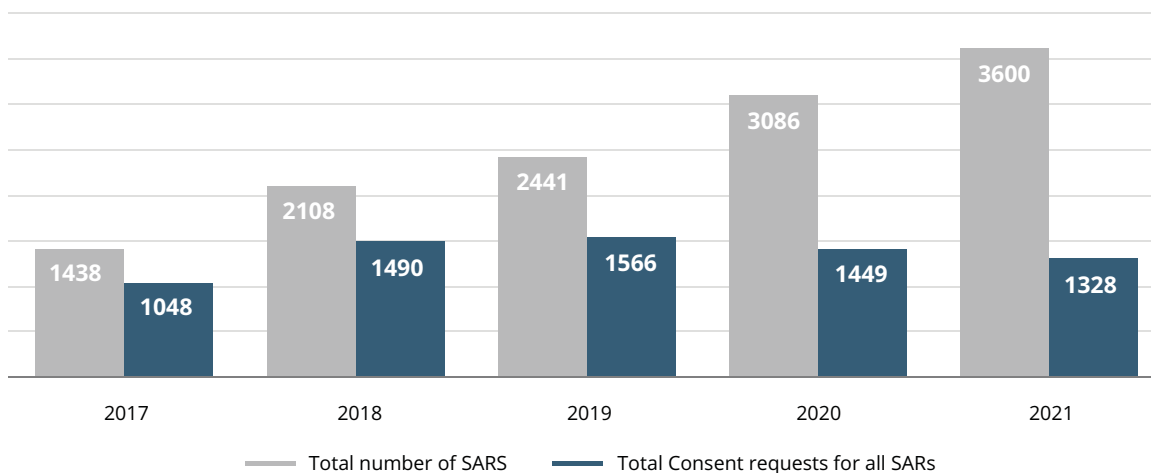
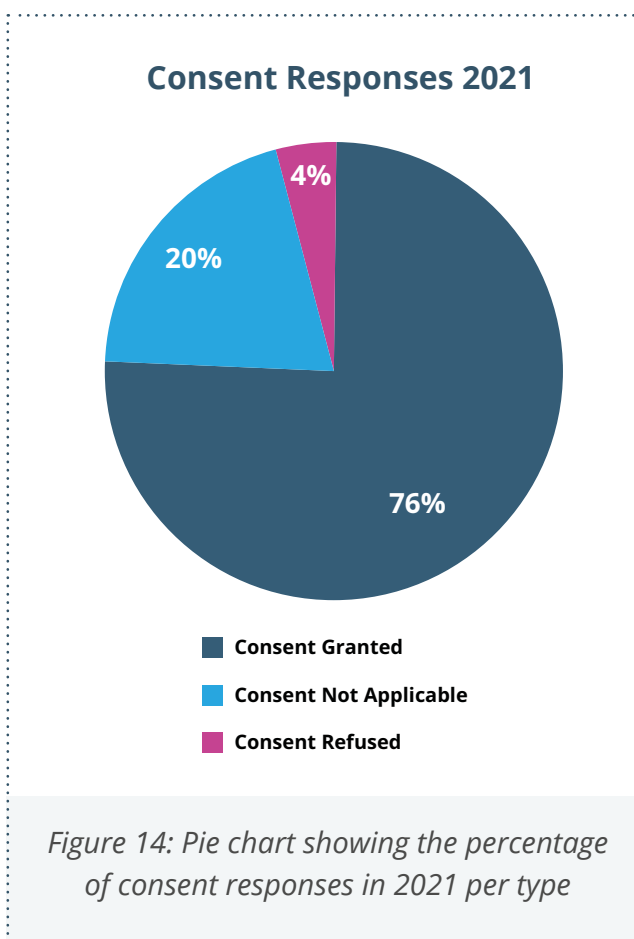


Figure 13: Bar chart showing a count of SARs versus consent requests received by the FIU per year

Over three quarters of all consent requests received in 2021 were granted (or subsequently granted) as shown in Figure 14. Only 4% of consents were refused or rescinded, indicating an increase on 2020 and previous years when circa 2% of all consent requests were refused.

The number of consent not applicable responses decreased significantly in 2021 (-18%) from 322 to 263, however they still account for one fifth of all consent responses. Analysis of consent not applicable responses identified that they did not contain an 'act' that required a statutory defence against money laundering; consent can only be granted by the FIU when a transaction or activity is considered a criminal offence under the provisions of the Bailiwick of Guernsey's Proceeds of Crime Law.

The FIU are focused on delivering further outreach to industry, including the release of a guidance document to Industry in early 2022 on the consent regime⁷ followed closely by a bespoke online training module to further consolidate understanding of consent matters. Approximately 300 participants undertook this training during the first month of release with feedback indicating a positive response from industry.



The average response time for the FIU to reply to consent requests received during 2021 was 4 days.



International Cooperation

As per FATF Recommendations 29 and 40, international standards require FIUs to provide a wide range of international cooperation. The FIU exchanges information within agreed data sharing arrangements, spontaneously and upon request. The FIU also participates in targeted cooperation with other FIUs, providing information essential to help identify and analyse suspected crime and to help develop potential cases for civil and/or criminal intervention.

The NRA identified that Guernsey's greatest money laundering risks arise from laundering the proceeds of foreign criminality, most likely involving a chain of transactions across several jurisdictions with Guernsey towards the end of the chain. 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 FIU is a member of several international groups, some of which are detailed below:



EGMONT GROUP

The Egmont Group is a global network of Financial Intelligence Units which aims to provide a forum for FIUs around the world to meet regularly to improve cooperation in the fight against money laundering and financing of terrorism as well as promoting the implementation of domestic programs to counter these threats.

Guernsey's FIU has been an active member of the Egmont Group for many years. During 2021, members of the FIU represented Guernsey at virtual working groups and regional meetings in January and February, an online workshop on improving STR/SAR quality in May, and webinars on risk-based approach and virtual operational training sessions held during the Heads of FIU meetings in July. The FIU also followed with interest the April 2021 G20 and FATF summit at which the Egmont Chair presented a talk on beneficial ownership.

Member FIU's can use the Egmont Secure Web (ESW) to share information relating to suspects and criminal activity. In 2021, the FIU sent thirty-one requests for assistance to various international FIU's in connection with local analysis on information derived from SARs and spontaneous incoming intelligence. The responses received to-date have been

shared with the relevant local teams to aid the progression of investigations.

The Egmont Group provides members with access to an extensive online learning platform called the Egmont Centre of FIU Excellence & Leadership (ECOFEL). This site gives FIU staff access to a comprehensive array of bespoke training modules, documents and webinars on relevant topics from international experts in financial crime, allowing for the sharing of knowledge and best practice. All Guernsey FIU staff have access to this learning resource and regularly make use of the platform to aid their professional development and to stay well-informed of any global changes in topics affecting financial investigation.



INTERNATIONAL ANTI-CORRUPTION COORDINATION CENTRE (IACCC)

The International Anti-Corruption Coordination Centre (IACCC) brings together specialist international law enforcement agencies to coordinate a global response to grand corruption, which includes the sharing of intelligence through a joint working platform. The intelligence is developed by experienced officers from around the globe who disseminate information on grand corruption to overseas partners. Since becoming an associate member of the IACCC in 2020, the FIU has supported partners across the world by engaging in the rapid exchange of

intelligence with the IACCC to assist with the development of grand corruption cases. For example; in 2021 the IACCC supported the FIU by co-ordinating the sharing of local intelligence with two international jurisdictions who were actively investigating a subject that held funds in Guernsey which were suspected to be the proceeds of bribery and corruption. The exchange of information provided assistance towards the progression and development of the investigations in the third party jurisdictions and the FIU continues to share relevant intelligence in support of their ongoing cases.



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 Head of FIU is in regular dialogue with the NCA JMLIT team both operationally and strategically.



QUAD ISLAND FORUM OF FINANCIAL INTELLIGENCE UNITS (QIFFIU)

During October, the Head of FIU participated in a Quad Island Forum of FIUs (QIFFIU) meeting held in London between Guernsey, Gibraltar, Isle of Man and Jersey FIUs. The main focus of the meeting was to discuss effectiveness and promote information sharing amongst the jurisdictions.

In 2021, a Quad Island Forum sub-group was formed to bring together the Strategic Analysts from each of the member jurisdictions. The first meeting of the Quad Island Strategic Analysts' Forum (QISAF) was held virtually in December 2021. The group discussed collaborative learning opportunities and the potential for sharing useful strategic information and improved methods of analysis between partner agencies. There is also a number of other sub-groups including a group focused on Terrorist Financing and Private Public Partnership engagement.



MONEYVAL

MONEYVAL is a committee of experts on the evaluation of anti-money laundering measures and the financing of terrorism. It is a

monitoring body of the Council of Europe which supports 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 the 4th quarter of 2023.



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 Report⁸, which assesses a country's systems for preventing criminal abuse of the financial system.

The FIU continues to encourage institutions to familiarise themselves with case studies available on the FATF website. Greater awareness of emerging risks will help industry to increase the effectiveness for preventing and detecting money laundering and terrorism financing risks.

FATF provided the following guidance to the private sector during 2021;

- Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers
- Digital Transformation of AML/CFT
- Public Statement on Pandora Papers
- Second 12-Month Review of Revised FATF Standards - Virtual Assets and VASPs
- Opportunities and Challenges of New Technologies for AML/CFT
- Stocktake on Data Pooling, Collaborative Analytics and Data Protection

International Requests for Assistance

The FIU received sixty-nine requests for assistance during 2021, of which fifty-five (80%) were from international agencies, the majority of which came from international FIUs via the Egmont Secure Web. The UK were the predominant requesting jurisdiction in 2021, with seventeen requests (31%) being received from authorities such as the International Anti-Corruption Coordination Centre (15%), National Crime Agency (2%) and Serious Fraud Office (2%). Other main requesting jurisdictions included Jersey, India and Malta.

The leading suspected criminality on request for assistance received by the FIU during 2021 was money laundering (51%) followed by fraud (20%), tax evasion (18%) and bribery & corruption (7%).

The FIU was able to collect, develop and share intelligence in relation to over half (51%) of the requests for assistance in order to assist international authorities with progressing their investigations, including a response which assisted the Serious Fraud Office in identifying a witness to a serious criminal offence. The majority of the remaining requests resulted in no information being identified locally on the subjects under suspicion. Due to the complexity of some of the requests some FIU enquiries remain ongoing.

REQUESTS FOR ASSISTANCE SENT TO INTERNATIONAL AGENCIES

The FIU sent out thirty-one requests for assistance to international agencies during 2021. The main recipient country of requests for assistance was the UK (26%) followed by the USA (10%), Brazil, New Zealand and Switzerland (6% respectively). To-date, the FIU have received responses from 68% of the recipient FIUs, of which; 6% indicated that mutual legal assistance requests were pending from other jurisdictions; 6% led to further information being requested; 10% resulted in intelligence being shared onward with domestic agencies to assist with the progression of ongoing local investigations; and 42% of responses revealed that the recipient country did not hold any intelligence of value to the FIU.

International Spontaneous Intelligence

The FIU received thirty-two spontaneous intelligence reports during 2021, of which thirty-one (97%) were from international agencies. The UK provided the most spontaneous intelligence (39%) followed by Syria (23%), Jersey (16%) and the Isle of Man (13%). The main suspected criminality indicated within spontaneous intelligence from international FIUs was money laundering (70%) followed by fraud and bribery & corruption.

Almost a quarter (24%) of incoming spontaneous intelligence reports resulted in further investigation and development by the FIU. Intelligence from 29% of incoming spontaneous intelligence reports was shared with domestic agencies such as the Economic & Financial Crime Bureau, and just under half (47%) did not require any action and were therefore recorded in THEMIS for future reference.

International Disseminations

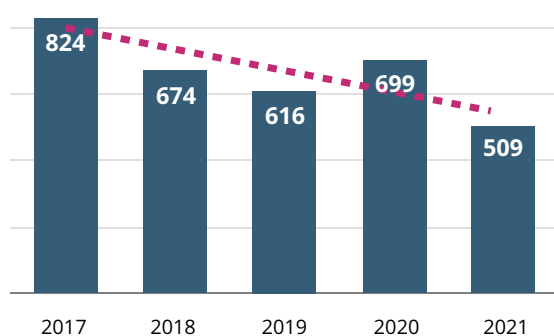


Figure 15: Bar chart of the number of disseminations sent to international authorities by the FIU per year

INTERNATIONAL DISSEMINATIONS

The FIU disseminated 834 intelligence reports in 2021, of which 509 (61%) were to international agencies. The decrease in the dissemination of intelligence roughly correlates with the reduction identified in the number of SARs received from some of the main reporting sectors as well as the decrease recognised in the number of internationally resident subjects identified within SARs.

The UK received the most disseminations (26% of all disseminations sent out by the FIU) of which over half (55%) were sent to the UKFIU, followed by the IACCC (8%), the National Crime Agency (6%), the National Fraud Intelligence Bureau (5%), and HMRC (4%). The remainder of the UK disseminations were sent to regional police forces and other agencies such as the Insolvency Service, the Serious Fraud Office, the Financial Conduct Authority, NTFIU and UK Border Agency. Other main recipients of international disseminations in 2021 included Jersey, the United States, South Africa and Switzerland.

FEEDBACK ON INTERNATIONAL DISSEMINATIONS

The FIU routinely requests feedback on intelligence it disseminates to international authorities, whether spontaneously or as a result of incoming requests for assistance. The form asks questions regarding how useful the intelligence was perceived to be and how it is anticipated it will be utilised, as well as inviting any further comments. The responses help the FIU to gauge the effectiveness of intelligence provided to other agencies in the international fight against money laundering and the financing of terrorism.

During 2021, the FIU received thirty-two feedback forms from fourteen different countries. Jersey FIU returned the most feedback on disseminations (41%). The feedback received in 2021 was predominantly regarding intelligence disseminated 2020-2021.

A total of 94% of respondents graded the intelligence as excellent, good or satisfactory, illustrating that the majority of recipients believed that the intelligence shared by the FIU was relevant, useful and of appropriate quality. Analysis of the remaining 6% indicated that, in the majority of cases, the intelligence was already known via dual reporting or from other sources.

*Over half of the respondents indicated that the reports received from the FIU provided **valuable intelligence not previously known to the organisation**, as well as indicating that the information provided was relevant or significant to an investigation or identified assets.*

In response to the question 'If requested, was the information provided in a timely manner?' all recipients replied 'yes'.

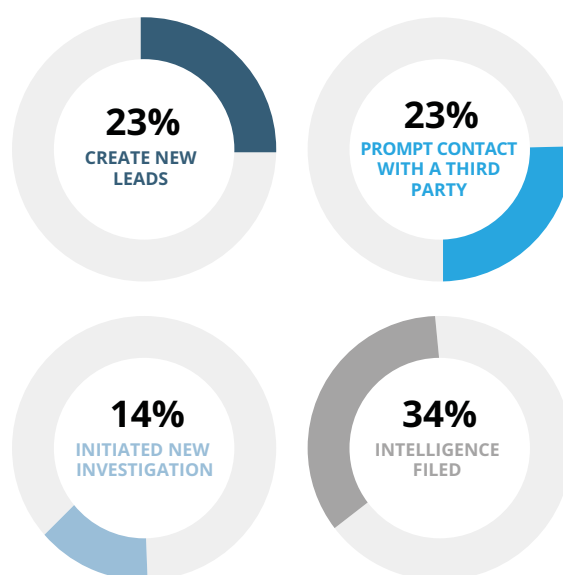
When asked how the intelligence would be used, 23% stated it had created new leads to an existing investigation, whilst an additional 14% advised it created a new investigation, and 23% indicated that it had prompted some form of approach to a third party (for example; a regulator, another FIU or a financial institution). The remainder responded to say it would be filed as intelligence for future reference.

How useful was the intelligence?



During 2022, the FIU will conduct a review of all intelligence shared with other domestic and international authorities in order to collect targeted feedback on whether the information disseminated by the FIU resulted in any enforcement actions, prosecutions or forfeitures. This will assist the FIU in ascertaining how effective and relevant the intelligence it shares is.

How will the intelligence be utilised?



Beneficial Ownership Requests (BO)



Ten requests for Beneficial Ownership checks were received from UK agencies



Predominant suspected criminality identified as money laundering



All requests responded to within 24 hours of receipt

Transparency of beneficial ownership (BO) is essential to prevent the misuse of companies for money laundering and terrorist financing. As identified in the FATF Recommendations and Immediate Outcome 5, countries should take measures to prevent the misuse of legal persons and legal arrangements from money laundering or terrorist financing by implementing robust and effective measures to prevent criminals and terrorists from hiding behind companies and other legal persons.

During 2021, the FIU received ten requests for local beneficial ownership checks from various UK agencies, an increase of four (67%) from 2020. The main suspected criminality in respect of BO requests was money laundering (40%) then fraud, false accounting or forgery (30%), followed by bribery & corruption (20%) and tax evasion (10%).

The FIU has 24-hour access to Guernsey's Beneficial Ownership Register and this facilitated the swift response to the BO requests within 24 hours of receipt, with half of the requests being processed in under 12 hours.

Beneficial Ownership Requests Received by FIU

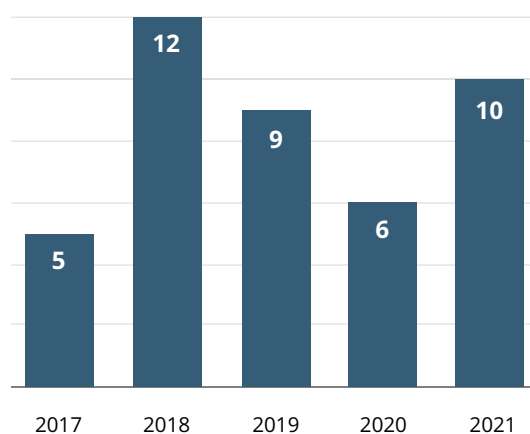


Figure 16: Bar Chart of the number of Beneficial Ownership Requests received by the FIU per year

Domestic Cooperation

The FIU continues to work closely with the Bailiwick of Guernsey Law Enforcement (BLE) and the Economic & Financial Crime Bureau (EFCB). The FIU also meets regularly with representatives from the Guernsey Financial Services Commission (GFSC), Guernsey Registry, Guernsey Revenue Service, Policy and Resources Committee and the Guernsey Law Officers to share intelligence in accordance with agreed protocols.

Since the second quarter of 2021, the FIU has had a member of Guernsey Revenue staff embedded within its office to aid in the analysis and dissemination of incoming intelligence relating to tax offences. This continued cooperation demonstrates that the financial intelligence disseminated by the FIU is being used effectively to support the work of competent authorities within the jurisdiction, as well as overseas, to secure tangible enforcement or regulatory outcomes.

Domestic Requests for Assistance

The FIU received sixty-nine requests for assistance during 2021, of which fourteen (20%) were from domestic agencies. The majority of requests were from the Guernsey Border Agency (64%) with the remainder received from EFCB (22%) and the Guernsey Police (14%). The predominant suspected criminality under investigation was money laundering (36%) followed by drug trafficking (29%) and fraud (25%).

The information disseminated back to the domestic agencies provided them with the information required to enhance their investigations, including providing financial intelligence to the Guernsey Border Agency (GBA) which assisted them in their investigation that resulted in the subject being arrested upon entering Guernsey from the UK with suspected controlled drugs, and another case where assistance was provided to the GBA regarding a subject importing 'dual use' goods from the UK for onward export to a high risk jurisdiction without the proper licence which resulted in a package being seized and destroyed.

Domestic Spontaneous Intelligence

SPONTANEOUS INTELLIGENCE RECEIVED FROM DOMESTIC AGENCIES

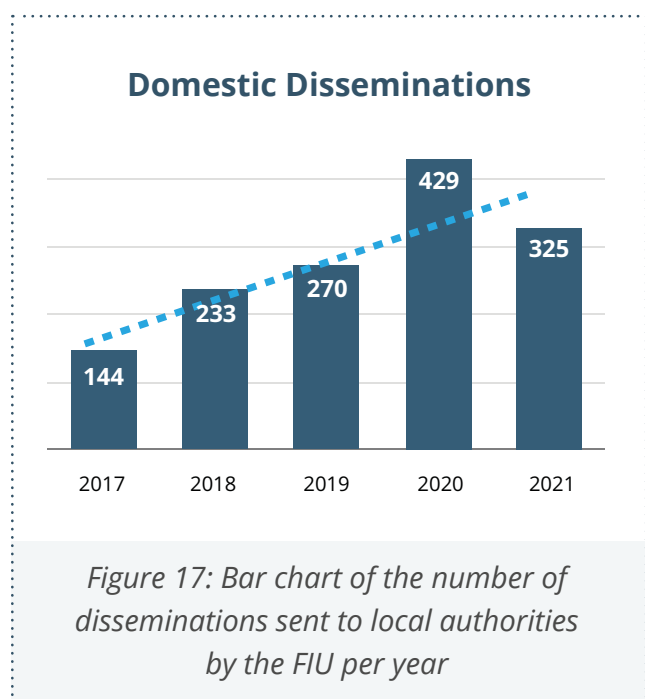
The FIU received thirty-two spontaneous intelligence reports during 2021, of which one (3%) was from a domestic agency, namely the EFCB. The intelligence related to a suspicion of attempted fraud from a phishing attack which resulted in the FIU disseminating the intelligence onward to an international FIU in the country of residence of the subject.

DISSEMINATIONS TO DOMESTIC AGENCIES

Of the 834 disseminations by the FIU in 2021, 325 (39%) were shared domestically with the vast majority being spontaneous disseminations. Although the number of reports sent out to local recipients during 2021 was 24% less than the peak seen the previous

year, it still remained 16% above the five year average with the overall trend showing a gentle increase in domestic disseminations over the past five years. The variation in numbers from 2020 was attributed to a change in working practices towards a different method of sharing intelligence with local agencies such as the GFSC and Revenue Service.

The Revenue Service received almost half (46%) of local disseminations, which was attributed to the effectiveness of a staff member from the Revenue Service being embedded within the FIU office to assess and share intelligence relating to suspected tax offences. Other local recipients of disseminations during 2021 included the GFSC (25%), EFCB (19%), the



Local Outreach to Industry

The FIU participated in delivering various presentations and training during 2021, including giving a talk about the FIU at STEP presentations to industry in June and October.

In November, the FIU delivered an update on the work of the FIU during the Guernsey Training Agency Compliance CPD Series for which the FIU received feedback indicating the delivery and content were excellent. This was swiftly followed by presenting SAR Quality Training in partnership with the GFSC at their Reporting Suspicion Workshop.

Towards the end of 2021, the FIU utilised Easy Generator to distribute online SAR Guidance Training to industry. This met with an immediate positive uptake with circa 300 participants undertaking the course in December and an additional 300 in the first two weeks of January 2022. Feedback from the course was overwhelmingly positive with the average rating of 8.2.

In December, the FIU provided a presentation on the role of the FIU during in-house training delivered by the AGCC to their members.

Reporting entities should take a risk-based approach when considering business relationships, to prevent their products and services being used for the purpose of money laundering or terrorist financing.

Cross Border Cash Declarations

The Cash Controls (Bailiwick of Guernsey) Law, 2007 prohibits the carrying of cash in excess of €10,000 (now £10,000) into or out of the Bailiwick, unless it has been declared at a port of arrival or departure. Cash not only means currency notes and coins but also bankers' drafts, cheques of any kind (including travellers cheques), bullion (which includes gold, silver, palladium and platinum, whether pure or impure), ingots, coins and postage stamps. If an individual does not declare cash in excess of the prescribed amount then a criminal offence is committed. No criminal offences or SARs relating to cash seizures or controls were identified during 2021.

In 2021 there was a slight increase on both import and export declarations when compared to last year, which would be commensurate with a perceived increase in travel to and from the Bailiwick as travel restrictions eased during the latter half of 2021. The value of the cash movements in 2021 was €1,169,193.77 indicating that the figures have returned to within normal margins in 2021 following a peak in 2020.

The FIU fully supports the Guernsey Border Agency (GBA) in their diligent efforts to identify individuals who breach the declaration of cash on leaving or arriving in the Bailiwick. The FIU ensures that any financial intelligence relating to potential breaches of the Cash Controls law is provided expeditiously to the GBA to action accordingly. The FIU also supports any risk assessment exercises undertaken in respect of targeting potential cash couriers.

	Import	Export	Total
2017	54	46	100
2018	55	26	81
2019	58	34	92
2020	64	10	74
2021	74	15	89

Figure 18: Table showing the number of cash and bullion declarations received per year



Looking Ahead to 2022

The FIU shall continue to work towards the Bailiwick of Guernsey's fifth Round of Mutual Evaluation by MONEYVAL in 2024. In line with this, important changes are planned with regards to the continued development of THEMIS. It is anticipated that 2022 will see further collaboration with the software developers and other FIUs via the THEMIS Working Group to further refine the system, in particular broadening the type of information we collect via the Portal. In respect of the feedback that the FIU provides to reporting entities, the FIU are currently in the process of creating a feedback system via THEMIS to provide structured, constructive and timely feedback to MLROs on the quality and content of SARs. The FIU intends to invest funds and resources into part two of the phased development plan initiated in 2021 and anticipates releasing these enhancements in stages during 2022-2023.

The FIU will continue to promote staff development and the enhancement of their skills and capabilities through online learning and tailored training opportunities, including in-house training courses in collaboration with other agencies such as Revenue, EFCB and Law Officers on specialist subjects designed to share knowledge and expertise that are often hard to source due to the niche roles of Analysts and Financial Intelligence Officers.

The FIU has developed an outreach plan for 2022 which will facilitate continued engagement with our private sector stakeholders, including collaborative training initiatives with other key AML/CFT Authorities, such as the

Revenue Service, GFSC and Guernsey Registry. The FIU will also provide guidance including strategic and operational risks and threats in the form of eLearning modules as part of the plan. These include specialist documents on various key threats which will incorporate local typologies as well as highlighting risk indicators and further relevant information.

The FIU will continue to participate virtually and face-to-face in numerous meetings during 2022, including the Quad Island Forums and Egmont's virtual regional and working group meetings in the first quarter and the 28th Egmont Plenary in Latvia in July.

The FIU looks forward to continued collaboration with local public and private sectors and international agencies in 2022 in the fight against financial crime.



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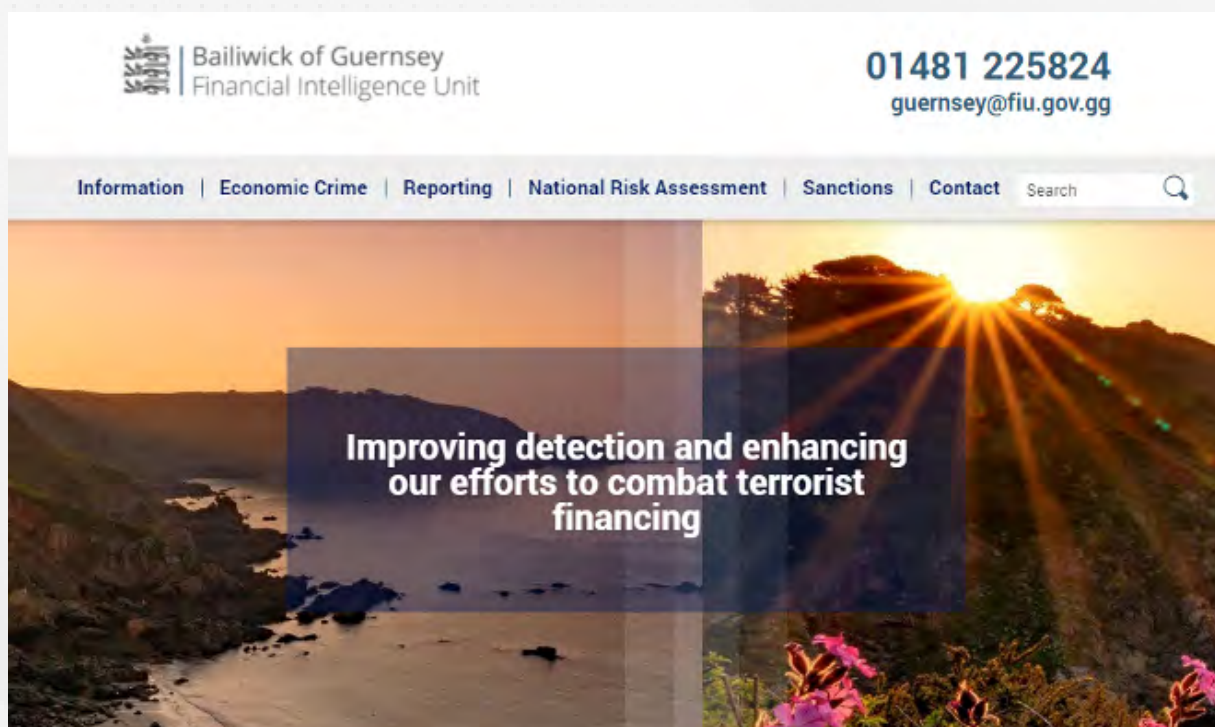
Feedback

Do you have any feedback on this report or any suggestions for future publications?

Please let us know by writing to fis@gba.gov.gg or leave a comment via the contact page on our website.

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An image of the FIU Website Homepage



Bailiwick of Guernsey
Financial Intelligence Unit