



# Suspicious Activity Reports

## Q1 2023

Industry Feedback

**fiu**

Financial  
Intelligence  
Unit - Jersey



fiu

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# Suspicious Activity Reports Q1 2023 Industry Feedback

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May 2023

## INTRODUCTION AND AIM

The FIU serves as Jersey's central agency for the receipt of Suspicious Activity Reports (SARs) filed pursuant to obligations in the Proceeds of Crime (Jersey) Law 1999 (POCJL) and the Terrorism (Jersey) Law 2002 (TJL).

The global Anti Money Laundering (AML)/Countering Financing of Terrorism (CFT) strategy places Financial Institutions (FI) and Designated Non-Financial Business and Professions (DNFBP) as critical stakeholders in the fight against Money Laundering (ML)/Terrorist Financing (TF); this is based on FIs and DNFBPs being exposed to and:-

- aware of and involved in financial transactions taking place in the market
- having the freedom to operate comes with the responsibility to cooperate
- and being best positioned to know their customers, monitor transactions and detect suspicious behaviour/activity.

The reporting of suspicious activity is one of the cornerstones of the Jersey AML/CFT framework and is reflected as such in Recommendations 20 (FIs: Reporting suspicious behaviour) and 23 (DNFBPs: Other Measures) of the FATF standards.

The aim of this quarterly report, is to provide insight on reporting trends and feedback to submitters of SARs on recorded data received by the FIU.

The information contained in SARs is considered vitally important in the fight against financial crime and good quality SARs allow the FIU to better understand

suspected criminal activity, ML/TF typologies, emerging threats, risks and trends. SAR information is used to support the operational focus of the FIU and help inform the wider work carried out by other local competent authorities tasked with financial crime strategy development/implementation.

Submitters of SARs will be aware of changes made to the SAR Template which came into effect on 1st February 2022. These changes allow for more detailed analysis of information contained in a SAR by the FIU and provides for better feedback of SAR data to industry. This work is ongoing and further changes will be undertaken. For feedback, this Q1 2023 report contains feedback which is as a direct result of those changes in areas such as consent requests, business declined information and disclosure of criminal activity.

For this Quarter, we have introduced a suspicious activity reporting scenario and aim to include one in each quarterly report to aid submitters in understanding reporting parameters and the process the FIU may follow to deliver its research, analysis and assessment to a range of stakeholders to verify, develop intelligence or escalate a case for broader development. These scenarios are based on FIU intelligence understanding and real case examples. For this initial Quarterly report, we have decided to focus on a Terrorist Financing (TF) suspicious activity scenario. It is envisaged that this will be repeated throughout subsequent Quarterly reports and expanded out into a more comprehensive typology review in 2024.

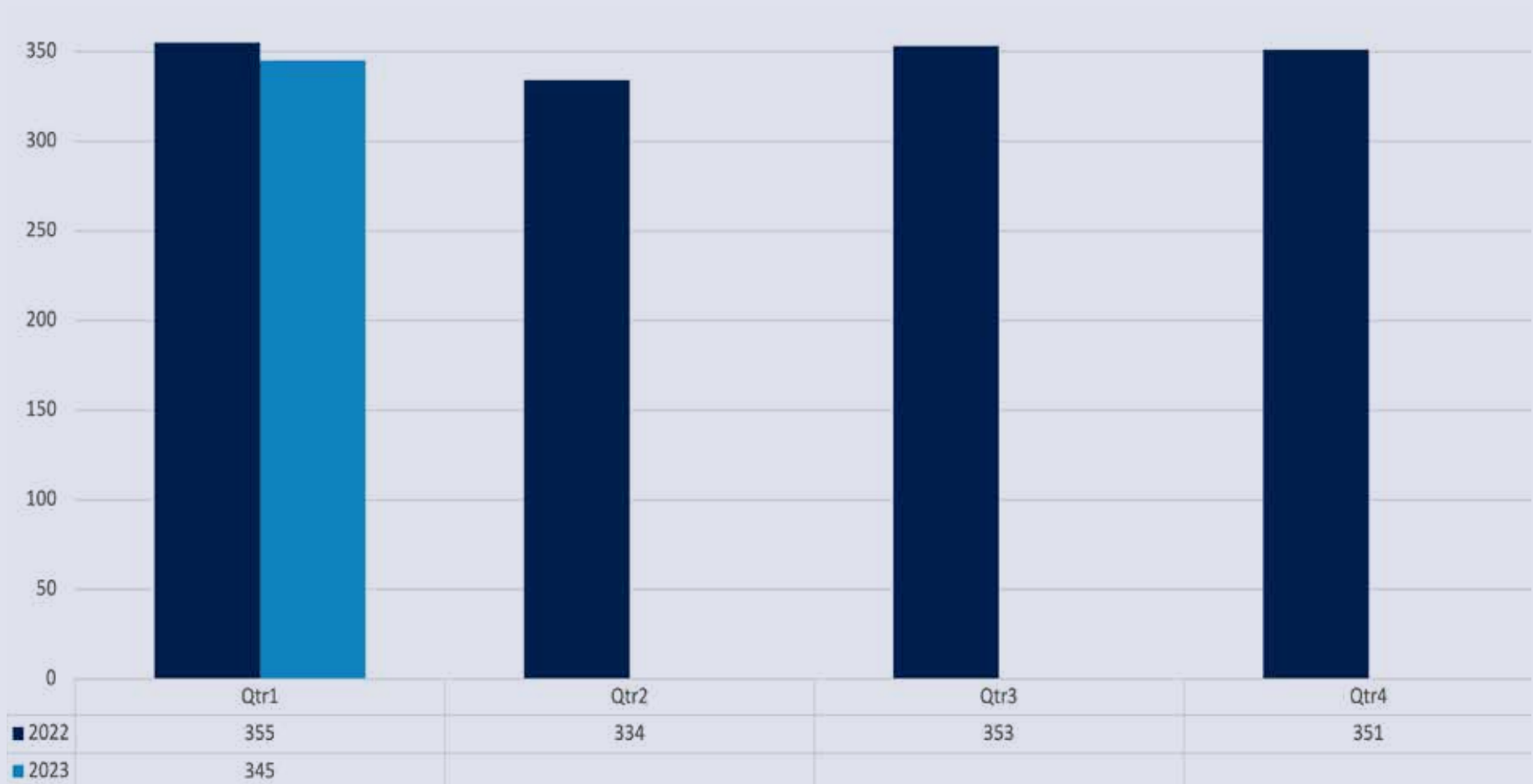
# SUSPICIOUS ACTIVITY REPORTS - OVERVIEW

## SAR Totals by Quarter - 2022 to 2023 comparison

345 SARs were received by the FIU in Q1 2023.

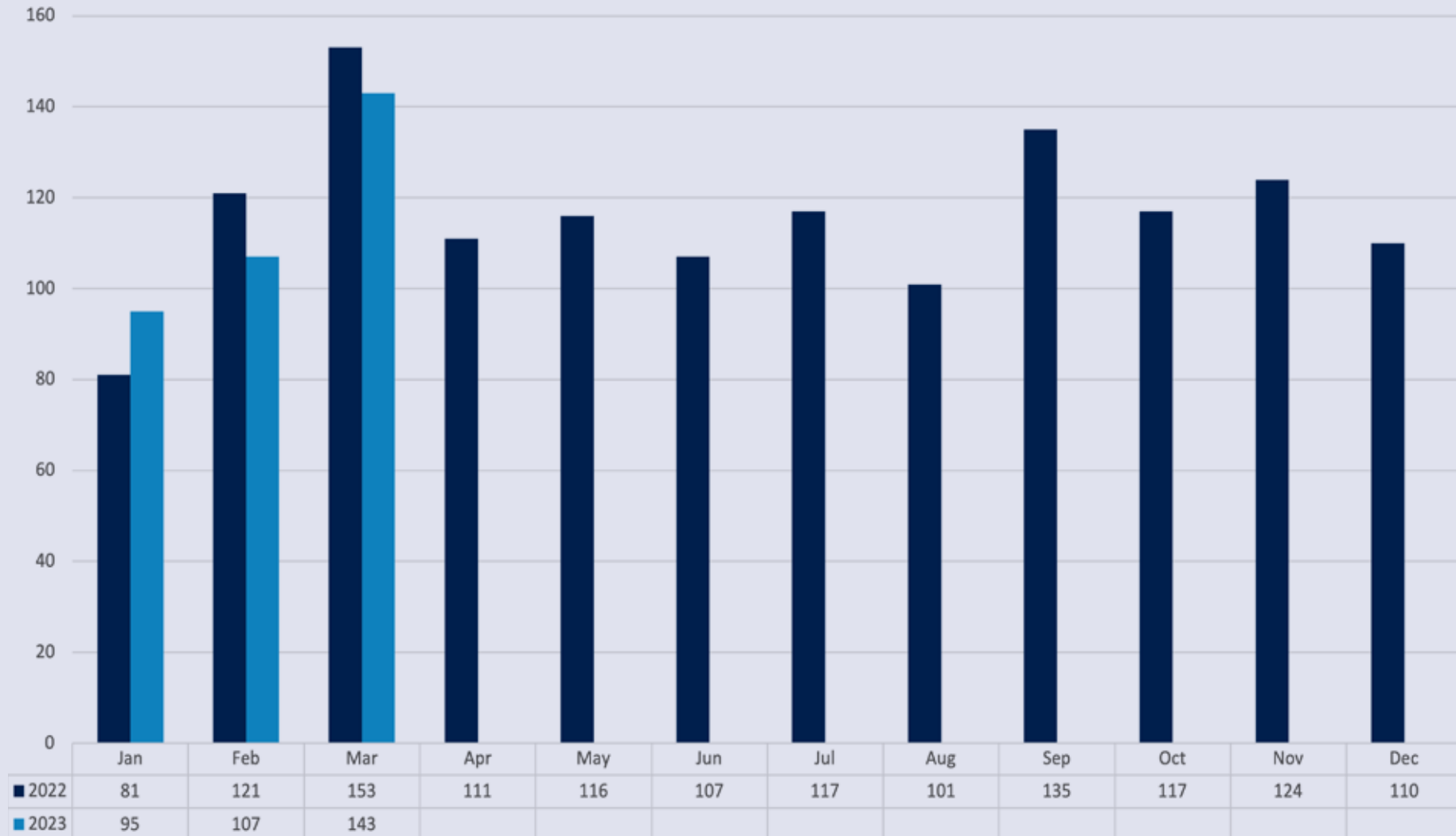
**Comparison:** This is a 3% decrease compared to the same period in 2022 and a 2% decrease when comparing Q1 2023 to Q4 2022.

**FIU Comment:** These % changes are within expected variations



# SAR Totals by Month

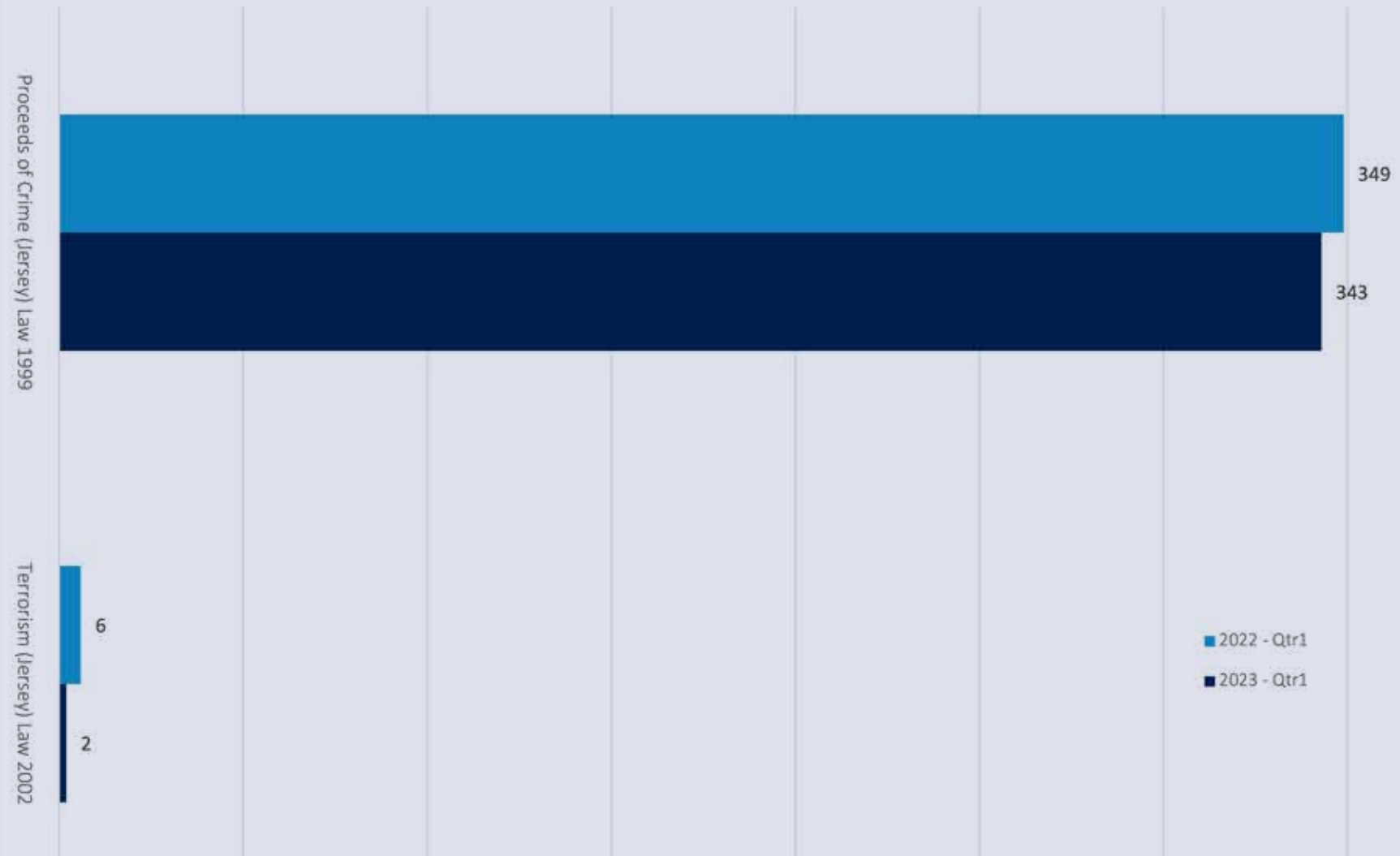
Total SARs received comparison by month 2022 to 2023



## SARs by Legislation per Quarter

Legislation reported by quarter Q1 2022 and Q1 2023.

In Q1 2023 343 SARs were submitted under the Proceeds of Crime (Jersey) Law 1999 (POCJL), with 2 SARs submitted under the Terrorism (Jersey) Law 2002 (TJL).



## SARs - Business Declined by Quarter

The new SAR template requires the submitter to state if the SAR submission relates to business that was declined. Declining business may be for a variety of reasons and includes situations where due diligence, carried out as part of any on-boarding process, has triggered a reporting obligation under the POCJL or TJL legislation. Business declined was chosen on 15.4% of SARs submitted in Q1 2023.

**FIU Comment:** It is important that submitters of declined business SAR's only select 'declined business' if they have decided not to take the client on. If you are still in the decision-making process to onboard the client, and still wish to submit a report, choose "No". (Please see further guidance in the SAR user manual).

Business Declined	Q1 23	%
No	292	84.6%
Yes	53	15.4%
<b>Total</b>	<b>345</b>	<b>100.0%</b>

Where SARs relate to business declined the "Grounds for Disclosure" were recorded by the submitters as follows (N.B. This is a multiple-choice selection):

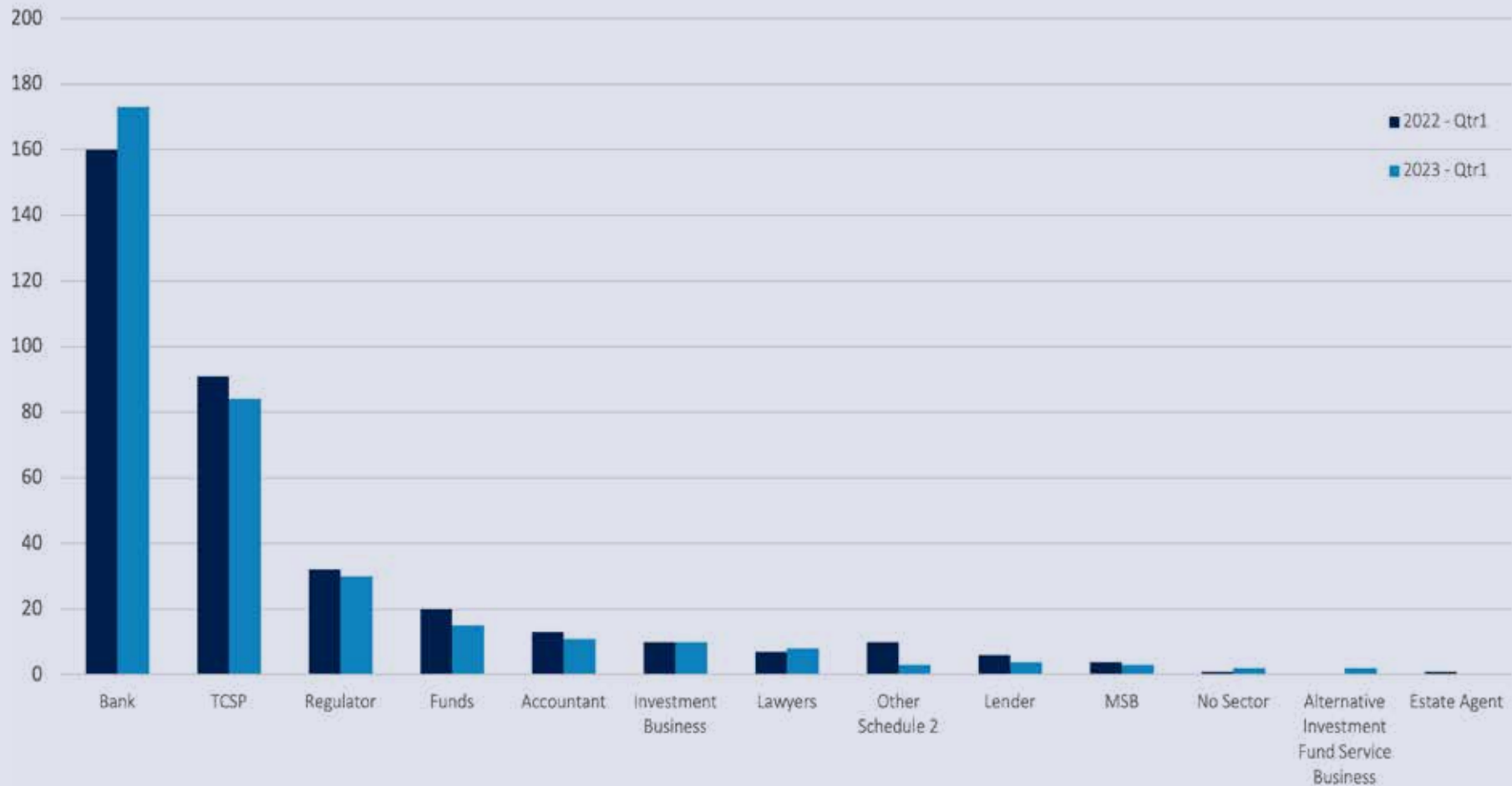
Grounds for Disclosure	Q1 23
Due Diligence	16
Internet Research/Media	15
Fraud / False Accounting	9
Evidence of Forged Documentation	5
Sanction identified	4
Account Activity Not in Keeping with KYC	4
Cash Transactions	2
Highly Transactional	2
Gambling	2
High Risk Jurisdictions	2
Group Information	2
Unusual Forex Transactions	1
Tax/TIEA	1
<b>Grand Total</b>	<b>65</b>



# REPORTING SECTOR FEEDBACK

## SARs by Sector Q1 2022 and Q1 2023 comparison

The Banking Sector was the largest reporting sector equating to 50.1% of all SARs submitted in Q1 2023 (45.3% in Q1 2022). They were followed by the Trust and Corporate Service Provider (TCSP) sector (Q1 2023 – 24.3%) and then the JFSC/Regulator (Q1 2023 – 8.7%).<sup>1</sup>



<sup>1</sup> "Lender" was previously included with "Other Schedule 2"

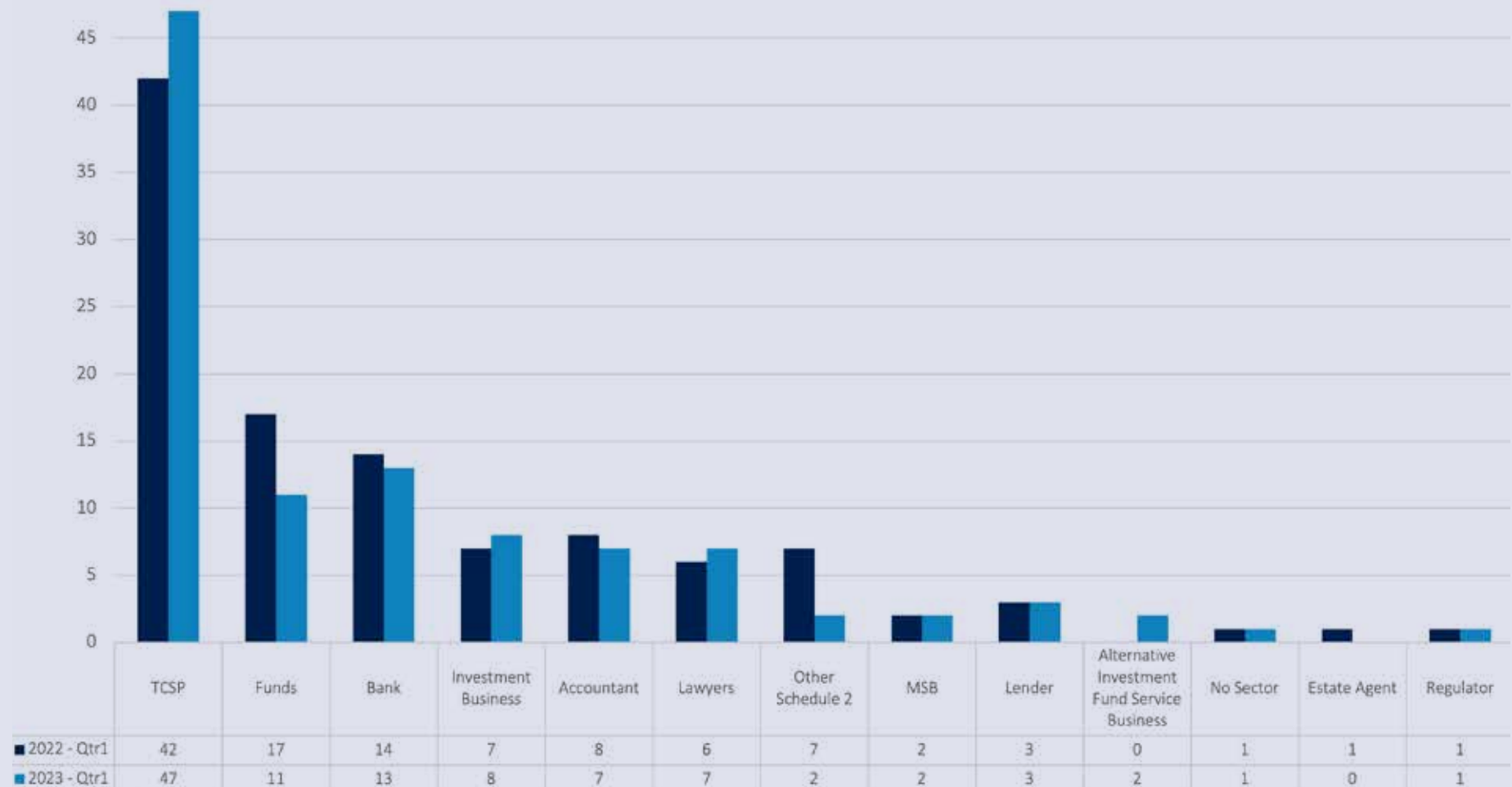
## ❖ SARs by Reporting Sector per Quarter

Sector	Q1 22	Q1 22%	Q1 23	Q1 23%
Bank	160	45.3%	173	50.1%
TCSP	91	25.7%	84	24.3%
Regulator	32	9.0%	30	8.7%
Funds	20	5.6%	15	4.3%
Accountant	13	3.7%	11	3.2%
Investment Business	10	2.8%	10	2.9%
Lawyers	7	2.0%	8	2.3%
Other Schedule 2	10	2.8%	3	0.9%
Lender	6	1.7%	4	1.2%
MSB	4	1.1%	3	0.9%
No Sector	1	0.3%	2	0.6%
Alternative Investment Fund Service Business	0	0.0%	2	0.6%
Estate Agent	1	0.3%	0	0.0%
<b>Grand Totals</b>	<b>354</b>	<b>100.0%</b>	<b>345</b>	<b>100.0%</b>

# Number of Entities Reporting by Sector per Quarter

The below graph shows how many entities have reported per identified sector, for example, in Q1 2023, 47 different entities submitted a report from the TCSP sector. 'No sector' refers to a submission from a non-financial service business.

Number of reporting entities per sector Q1 2022 and Q1 2023



# CONSENT REQUESTS

## Consent requests by Quarter

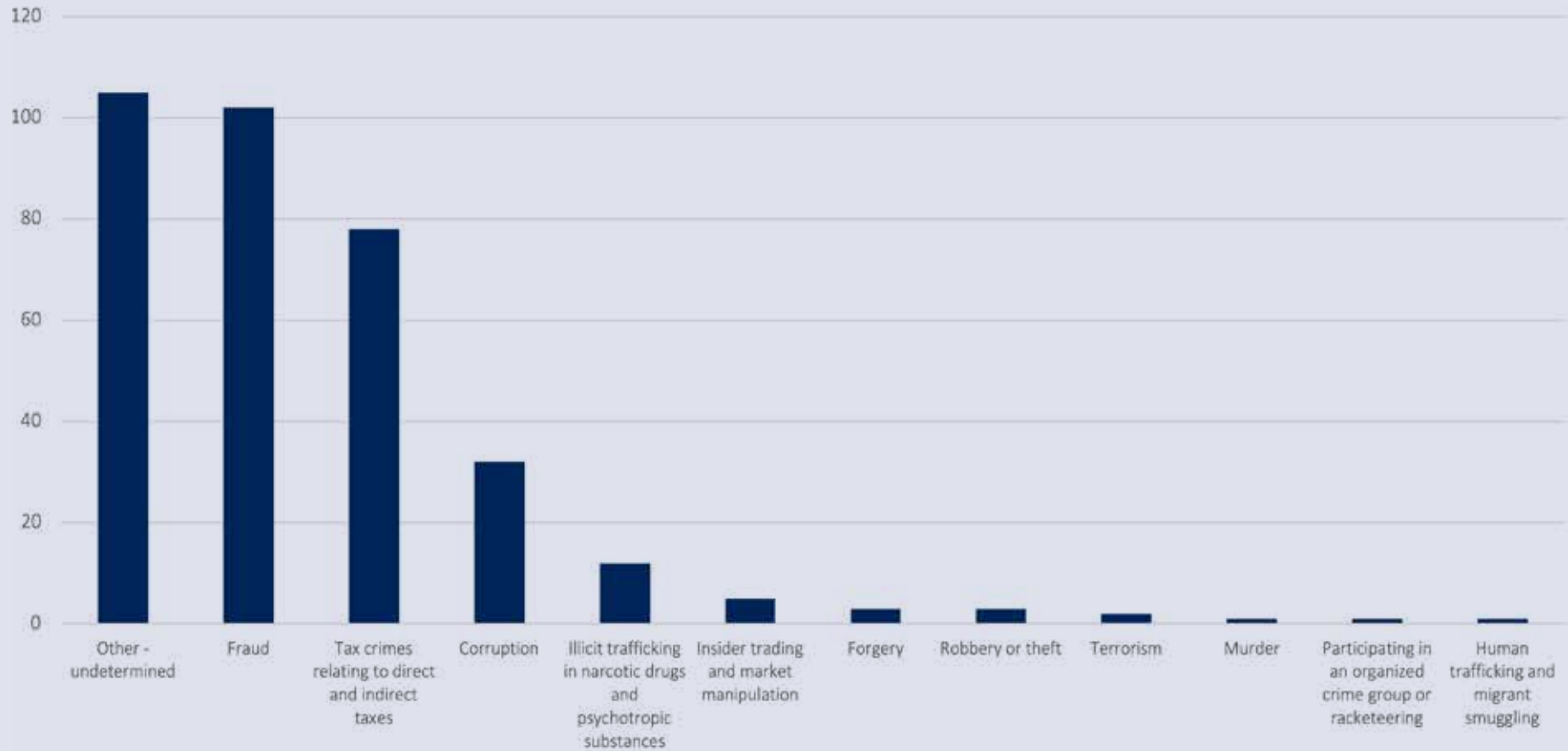
The new SAR template allows the FIU to record consent requests in more detail - broken down into Act, Transact and Exit requests; prior to 1 February 2022 this separate detail was not recorded in SAR submissions.

In Q1 2023 the FIU received 375 consent requests. Of the 375 requests for consent for an Act, Transact or Exit the FIU has provided consent on 285 occasions (77%), withheld consent on 58 occasions (15%), the matter was not considered a consent issue on 7% of occasions, and withdrawn on 1% of occasions.

Quarter 1	Transact	%	Act	%	Exit	%	Total	%
Yes	201	89%	16	38%	68	65%	285	77%
No	17	7%	11	26%	30	29%	58	15%
Not a consent matter	8	3%	15	36%	4	4%	27	7%
Withdrawn	3	1%	0	0%	2	2%	5	1%
<b>Total</b>	<b>229</b>	<b>100%</b>	<b>42</b>	<b>100%</b>	<b>104</b>	<b>100%</b>	<b>375</b>	<b>100%</b>
Submitter Error	3		2		2		7	

# CRIMINALITY ACTIVITY FEEDBACK

Entity criminality Q1 selection by Quarter



## Criminality Activity Feedback continued

Entity Criminality	Q1 23	%
Other - undetermined	105	30.3%
Fraud	102	29.6%
Tax crimes relating to direct and indirect taxes	78	22.6%
Corruption	32	9.3%
Illicit trafficking in narcotic drugs and psychotropic substances	12	3.5%
Insider trading and market manipulation	5	1.4%
Forgery	3	0.9%
Robbery or theft	3	0.9%
Terrorism	2	0.6%
Murder	1	0.3%
Participating in an organized crime group or racketeering	1	0.3%
Human trafficking and migrant smuggling	1	0.3%
<b>Grand Total</b>	<b>345</b>	<b>100.0%</b>



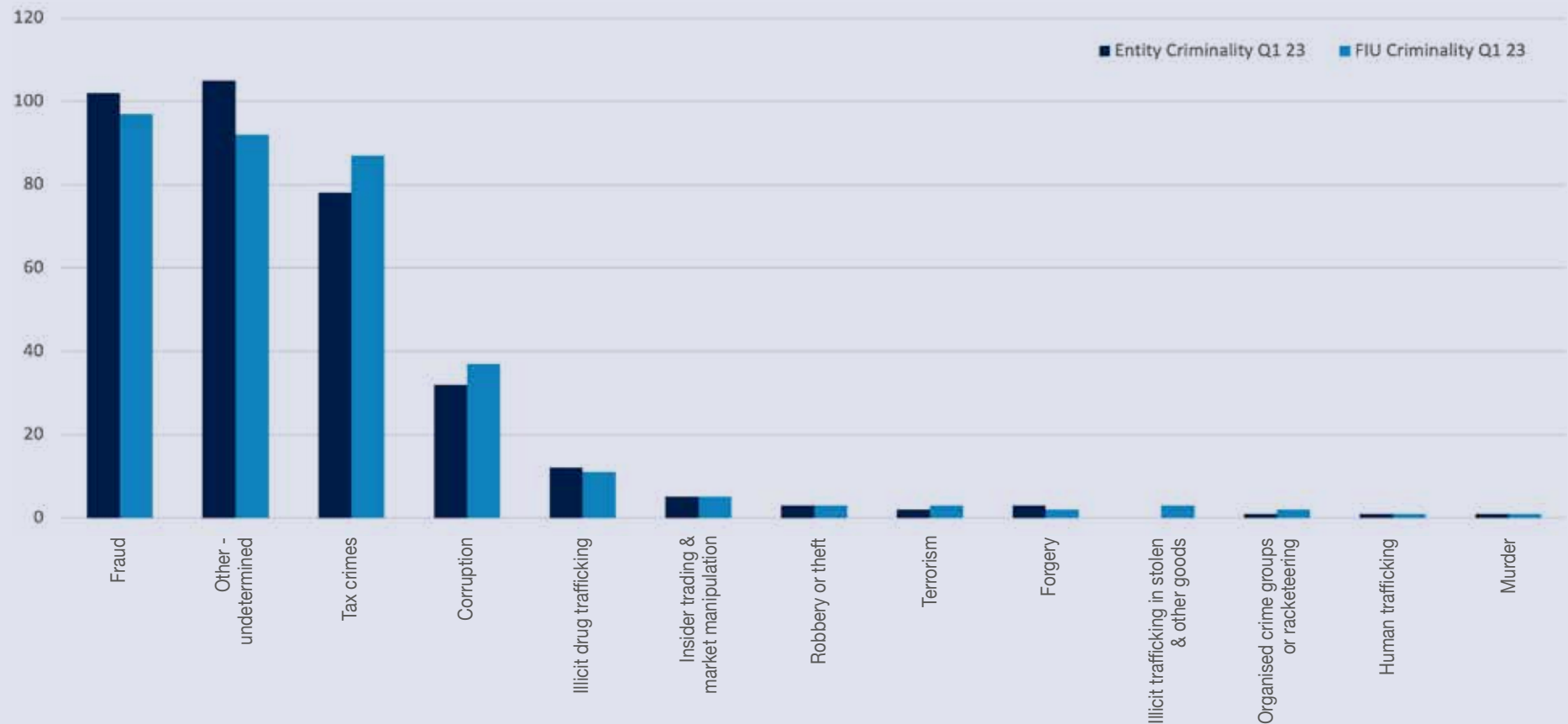
# ❖ Disclosing entity predicate criminality comparison to FIU Jersey chosen criminality

The revised SAR template (February 2022) requires a submitter to choose a single predicate criminality they suspect; this is a change to the previous SAR template whereby numerous suspected criminalities could be chosen.

Upon receipt of a SAR, the FIU undertakes a formal grading process allowing for prioritisation and allocation to the correct team. As part of this process, the grading officer will review the SAR for the chosen predicate criminality suspected against the narrative provided by the submitter, contained in the SAR.

**FIU Comment:** There have been limited occasions where, in the FIU's view, the predicate offence selected in the SAR did not match the predicate criminality identified in the narrative of the SAR. The FIU recognises that predicate criminality may be a subjective assessment made by the submitter. It is an area that the FIU will seek to support submitters on in the future.

Disclosing entity predicate criminality to Jersey FIU criminality comparison Q1 2023



## ❖ Disclosing entity predicate criminality comparison to Jersey FIU chosen criminality continued

	Entity Criminality Q1 23	Entity Criminality Q1 23 %	FIU Criminality Q1 23	Entity Criminality Q1 23 %
Fraud	102	29.5%	97	28.0%
Other - undetermined	105	30.4%	92	26.7%
Tax crimes relating to direct and indirect taxes	78	22.6%	87	25.2%
Corruption	32	9.3%	37	10.7%
Illicit trafficking in narcotic drugs and psychotropic substances	12	3.5%	11	3.2%
Insider trading and market manipulation	5	1.4%	5	1.4%
Robbery or theft	3	0.9%	3	0.9%
Terrorism	2	0.6%	3	0.9%
Forgery	3	0.9%	2	0.6%
Illicit trafficking in stolen and other goods	0	0.0%	3	0.9%
Participating in an organized crime group or racketeering	1	0.3%	2	0.6%
Human trafficking and migrant smuggling	1	0.3%	1	0.3%
Murder	1	0.3%	1	0.3%
<b>Extortion</b>	<b>0</b>	<b>0.0%</b>	<b>1</b>	<b>0.3%</b>
<b>Total</b>	<b>345</b>	<b>100.0%</b>	<b>345</b>	<b>100.0%</b>



## ❖ Other – Undetermined (understanding)

### Consent requests by Quarter

‘Other – Undetermined’ was the highest predicate criminality chosen by SAR submitters in Quarter 1 (30.3%). Where ‘Other – Undetermined’ was chosen, the supporting grounds for disclosure were also selected (the submitter can choose multiple reasons).

	Q1 23	Q1 23 %
Account Activity Not in Keeping with KYC	27	16.8%
Production Order/Law Enforcement Enquire/POC Notice/Liaison Notice	26	16.2%
Due Diligence	23	14.4%
Group Information	18	11.3%
Highly Transactional	14	8.8%
Cash Transactions	13	8.1%
Internet Research/Media	13	8.1%
Sanction identified	8	5.0%
High Risk Jurisdictions	7	4.4%
Unusual Forex Transactions	4	2.5%
Fraud / False Accounting	3	1.9%
Tax/TIEA	2	1.3%
Gambling	1	0.6%
Unexplained Lifestyle	1	0.6%
<b>Grand Total</b>	<b>160</b>	<b>100.0%</b>

# ❖ Predicate criminality by Sector

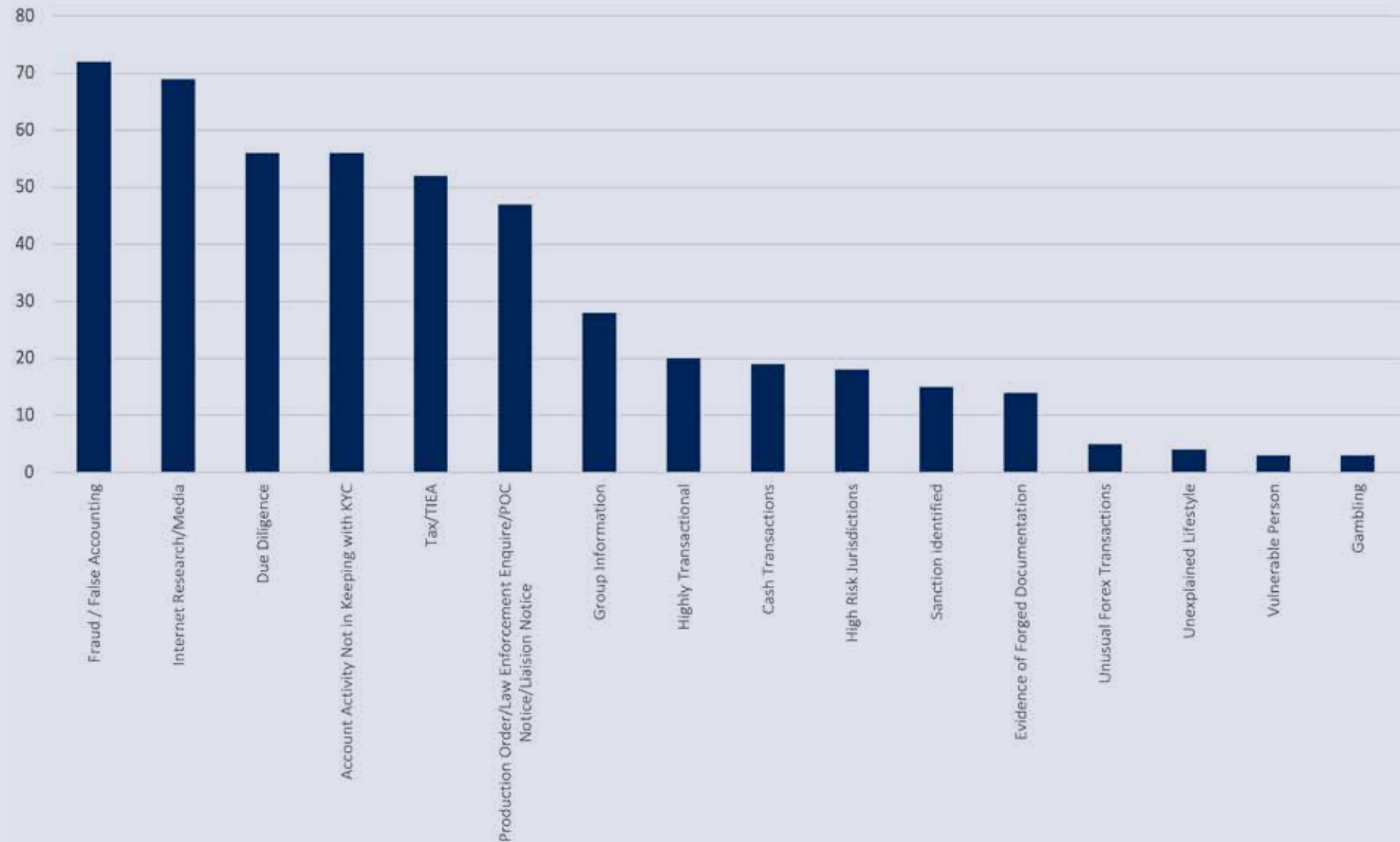
The table below shows the primary predicate criminality chosen by the submitter broken down into sectors for Q1 2023.

Criminality	Bank	%	TCSP	%	Regulator	%	Funds	%	Accountant	%	Investment Business	%	Lawyers	%	Lender	%	Other Schedule 2	%	MSB	%	No Sector	%	Alternative Investment Fund Service Business	%
Other - undetermined	59	34%	26	31%	5	17%	1	6%	1	9%	3	30%	3	37%	2	50%	2	67%	2	67%	1	50%	0	0%
Fraud	58	33%	16	19%	7	24%	9	60%	3	28%	4	40%	3	37%	0	0%	0	0%	1	33%	0	0%	1	50%
Tax crimes relating to direct and indirect taxes	34	19%	25	30%	7	23%	1	7%	4	36%	3	30%	1	13%	2	50%	1	33%	0	0%	0	0%	0	0%
Corruption	7	4%	14	17%	7	23%	2	13%	2	18%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Illicit trafficking in narcotic drugs and psychotropic substances	9	5%	1	1%	0	0%	0	0%	0	0%	0	0%	1	13%	0	0%	0	0%	0	0%	1	50%	0	0%
Insider trading and market manipulation	1	1%	0	0%	4	13%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Forgery	2	1%	0	0%	0	0%	0	0%	1	9%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Robbery or theft	0	0%	1	1%	0	0%	1	7%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	50%
Terrorism	0	0%	1	1%	0	0%	1	7%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Murder	1	1%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Participating in an organized crime group or racketeering	1	1%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Human trafficking and migrant smuggling	1	1%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
<b>Grand Total</b>	<b>173</b>	<b>100%</b>	<b>84</b>	<b>100%</b>	<b>30</b>	<b>100%</b>	<b>15</b>	<b>100%</b>	<b>11</b>	<b>100%</b>	<b>10</b>	<b>100%</b>	<b>8</b>	<b>100%</b>	<b>4</b>	<b>100%</b>	<b>3</b>	<b>100%</b>	<b>3</b>	<b>100%</b>	<b>2</b>	<b>100%</b>	<b>2</b>	<b>100%</b>

# ❖ GROUNDS FOR DISCLOSURE

## Grounds for Disclosure by Quarter

The below graph shows the comparison of grounds for disclosure chosen by submitters of all SARs in Q1 2023. Grounds for disclosure is a multiple-choice selection field and therefore will not match the total SARs submitted between the same periods.



## ❖ Grounds for Disclosure by Quarter Continued

Grounds for Disclosure	Q1 23	Q1 23 %
Fraud / False Accounting	72	15.0%
Internet Research/Media	69	14.3%
Due Diligence	56	11.7%
Account Activity Not in Keeping with KYC	56	11.7%
Tax/TIEA	52	10.8%
Production Order/Law Enforcement Enquire/POC Notice/Liaison Notice	47	9.8%
Group Information	28	5.8%
Highly Transactional	20	4.2%
Cash Transactions	19	4.0%
High Risk Jurisdictions	18	3.7%
Sanction identified	15	3.1%
Evidence of Forged Documentation	14	2.9%
Unusual Forex Transactions	5	1.0%
Unexplained Lifestyle	4	0.8%
Vulnerable Person	3	0.6%
Gambling	3	0.6%
<b>Grand Total</b>	<b>481</b>	<b>100.0%</b>

# Top 10 Countries of predicate criminality by Quarter

The SAR template requires the submitter to disclose the country where the suspected predicate criminality occurred. SAR data indicates there is a high percentage that reporters assess that the predicate offending has occurred in Jersey.

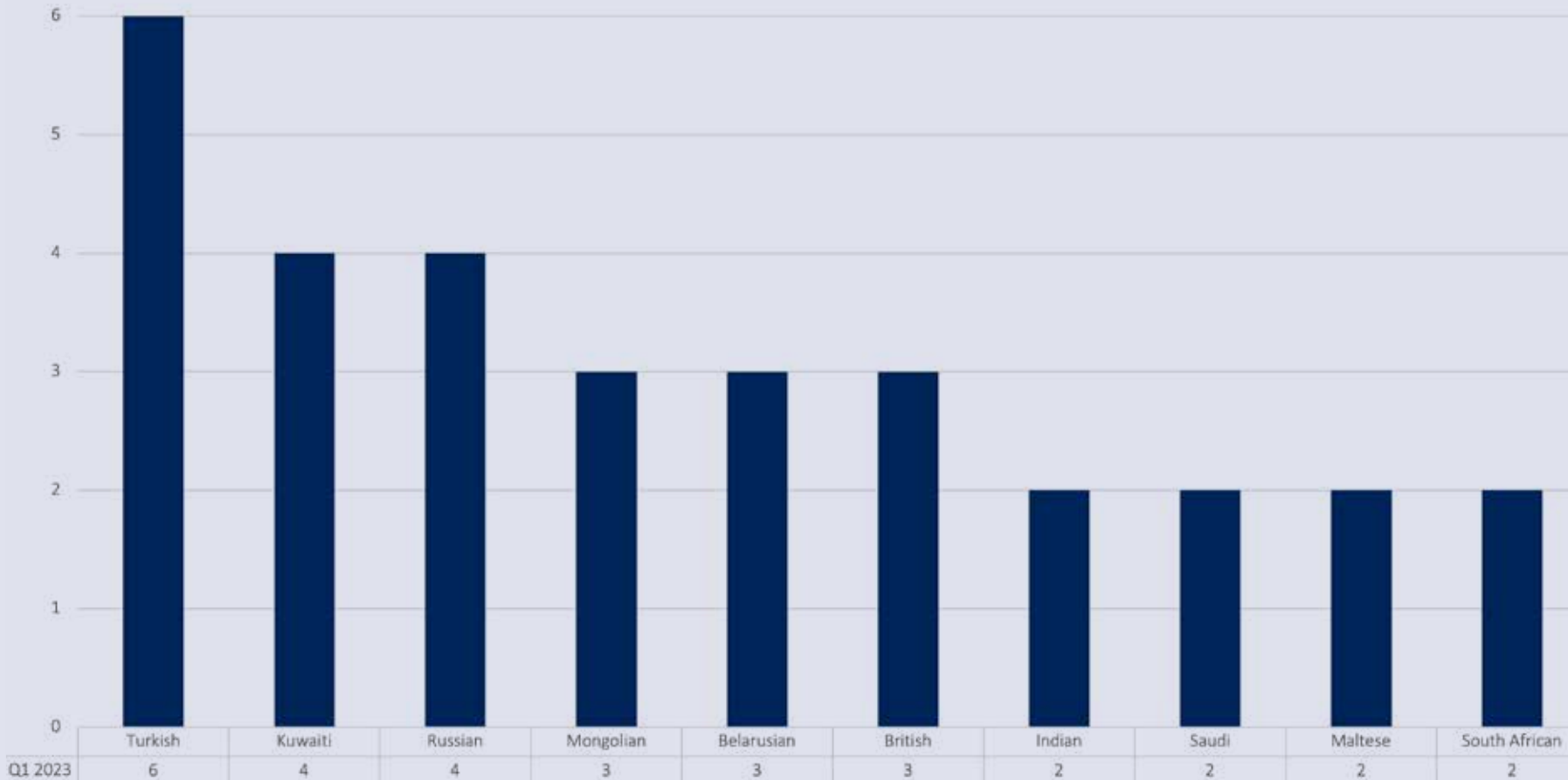


# ➤ POLITICALLY EXPOSED PERSONS (PEPs)

## Top 10 PEP Nationalities by Quarter

The below graph shows the nationality of individual PEPs disclosed in Q1 2023. Duplicate data resulting from multiple SARs from different entities on the same PEP has been removed.

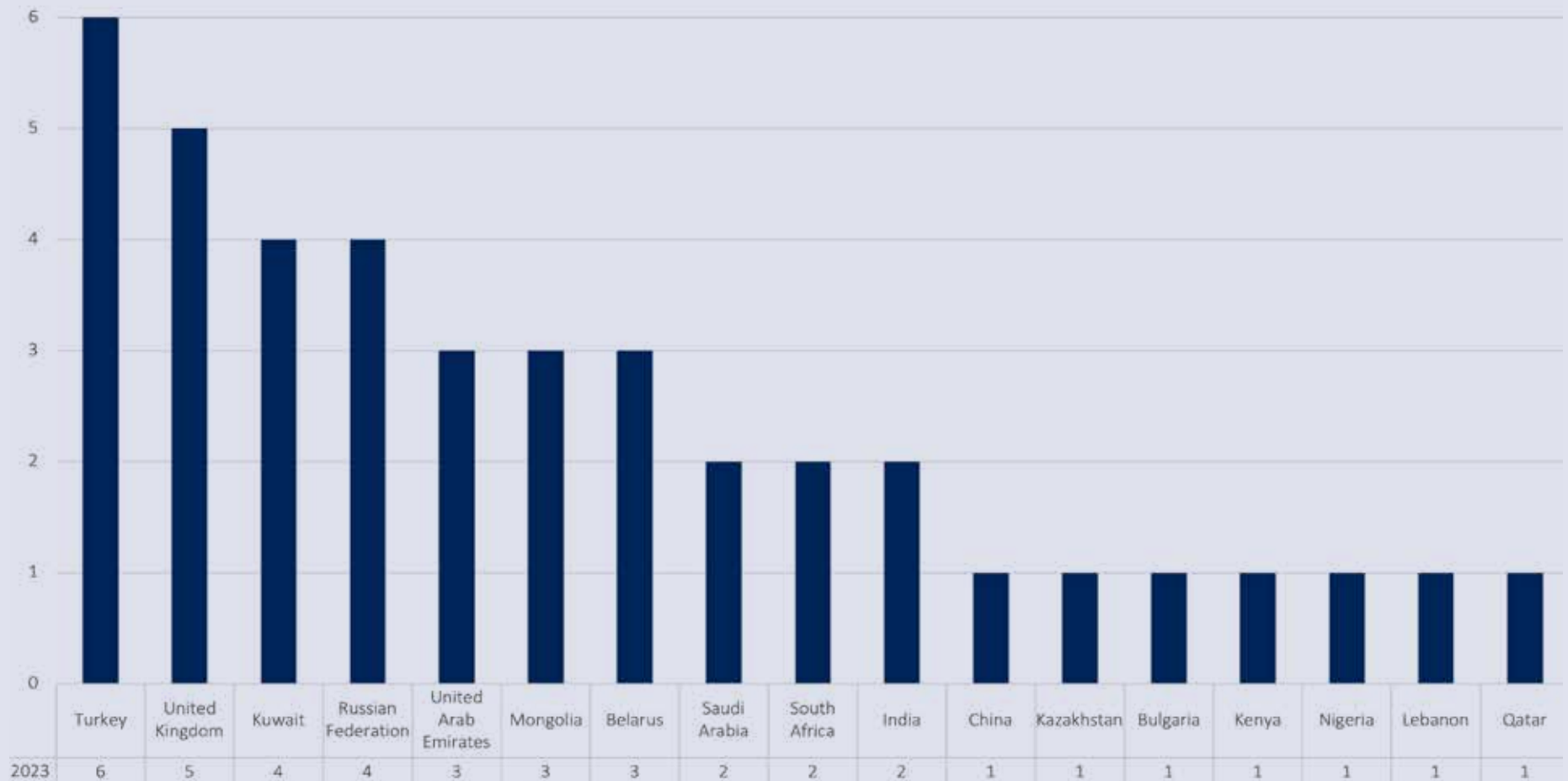
**FIU Comment:** It is assessed that SARs referencing Turkish PEPs (6) in Q1 2023 were above expected levels, of these (4) related to the Turkey Tax Amnesty.



## ❖ Top 10 Primary PEP Jurisdictions by Quarter

The below graph shows the top 10 primary jurisdictions a PEP is associated with as disclosed in SARs in Q1 2023. Duplicate data resulting from multiple SARs from different entities on the same PEP has been removed.

**FIU Comment:** A PEP may have a nationality different to the primary associated jurisdiction.



# TF SCENARIO FOR THE FUND & TCSP SECTOR

We have introduced a suspicious activity reporting scenario and aim to include one in each quarterly report to aid submitters in understanding reporting parameters and the process the FIU may follow to deliver its research, analysis and assessment to a range of stakeholders to verify, develop intelligence or escalate a case for broader development. These scenarios are based on FIU intelligence understanding and real case examples. For this initial Quarterly report, we have decided to focus on a Terrorist Financing (TF) suspicious activity scenario. It is envisaged that this will be repeated throughout subsequent Quarterly reports and expanded out into a more comprehensive typology review in 2024.



## Fund and TCSP Sectors

### Background:

A Jersey Corporate Service Provider delivers services to a Jersey Private Fund (JPF).

The JFSC defines a JPF as a private investment fund involving the pooling of capital raised for the fund and which operates on the principle of risk spreading. A JPF may be established in Jersey or a country or territory outside of Jersey which requires relevant consent to be issued and in which the number of offers of units for subscription, sale, or exchange shall not exceed 50 and the number of investors shall not exceed 50<sup>1</sup>.

### Suspicious Activity:

- A review of the Beneficial Owner of a non-Jersey corporate investor identified a philanthropic donation to an educational facility in a Middle East jurisdiction.
- This jurisdiction was included in the JFSC D2 list and was highlighted on numerous commercial country risk databases as having terrorist links.
- The proposed investor owned a Jersey-administered legal arrangement. The source of funds for the Trust was derived from established family wealth in the Middle East. The Settlor of the Trust was also identified as administering a philanthropic fund, which which donated annually to several local education facilities.
- Adverse media reporting suggested that there was direct support to a terrorist group linked to the education facility.

- Therefore, the reporting had concerns that the funds could be diverted and used for terrorist financing.

### FIU Actions:

- The FIU reviews all submissions and grades and prioritises them as appropriate.
- TF-related cases will always be a “Code 1,” meaning the highest priority for immediate further work.
- Whilst all members of the FIU have training in TF matters, we have several experts in TF matters who maintain additional connections and a deeper understanding of potential TF typologies.
- A wide range of sources will be reviewed and checked to ascertain the facts of the submission and seek to expand our understanding.
- The FIU engages both domestically and internationally with specialist counter-terrorism units and other FIUs to share our initial findings and seek further information from relevant stakeholders.
- In addition to the D2 jurisdiction, the FIU identified the country as being several of high-risk TF jurisdiction lists, especially related to an International Finance Centre.
- Distributions are made to named beneficiaries, i.e. charities/NGOs located in High-Risk jurisdictions which are associated with terrorist activities or with persons that have been designated as terrorists, including countries that are subject of conflict.

<sup>1</sup>Jersey Private Fund Guide - Jersey Financial Services Commission ([jerseyfsc.org](http://jerseyfsc.org))



## TF Scenario continued

### Outcomes:

- The entity was not taken on as an investor in the Jersey Private Fund.

### FIU Comment:

- In TF cases, the distribution of funding more often helps to determine the typology and threat. In this case, it is the Political/Group affiliations and possible PEP connections of the Settlers and Beneficiaries of the Trust that are of prime interest.
- Distributions made to a named beneficiary, who in turn make distributions to non-listed beneficiaries located in jurisdictions known to be associated with terrorist activities or with persons that have been designated as terrorists, raises significant concerns.
- Trust structure or transactions relating to the trust account utilising complex and opaque legal entities and arrangements, foreign private foundations that operate in jurisdictions with secrecy laws, where the trust company is unable to understand the purpose or activities of their usage fully are all areas the FIU will seek to understand better.
- The FIU will consider how funds are distributed.



## Suspicious Activity Reports

# Q1 2023

Industry Feedback



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May 2023