



Suspicious Activity Reports

Q2 2023

Industry Feedback

fiu

Financial
Intelligence
Unit - Jersey



fiu

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Suspicious Activity Reports Q2 2023 Industry Feedback

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FIU Director
August 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.

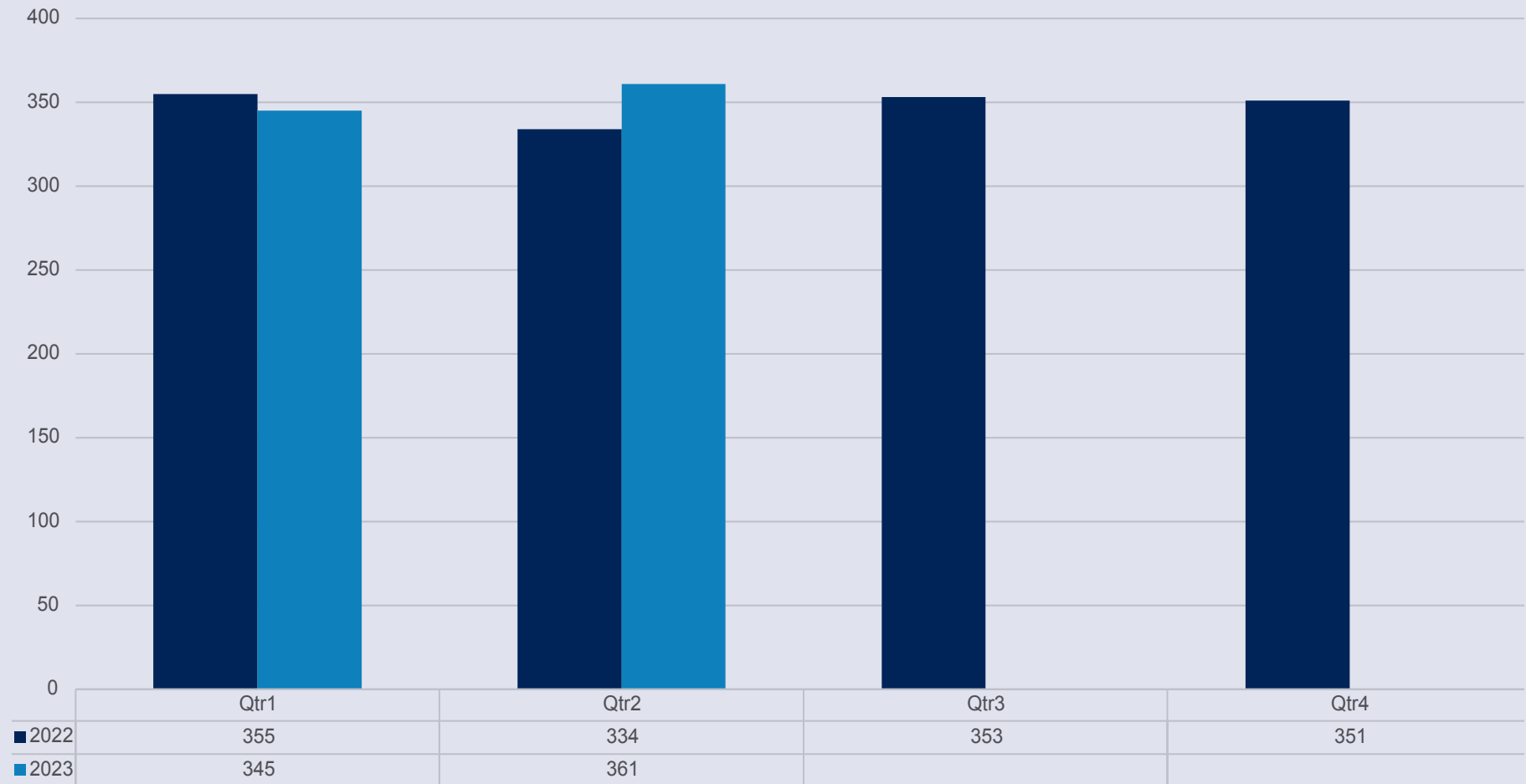
Following the success of the Q1 typology suspicious activity scenario, we have a new scenario relevant to the Banking sector. We envisage that Q3 will include a further scenario covering the TCSP sector.

SUSPICIOUS ACTIVITY REPORTS - OVERVIEW

SAR Report Totals by Quarter

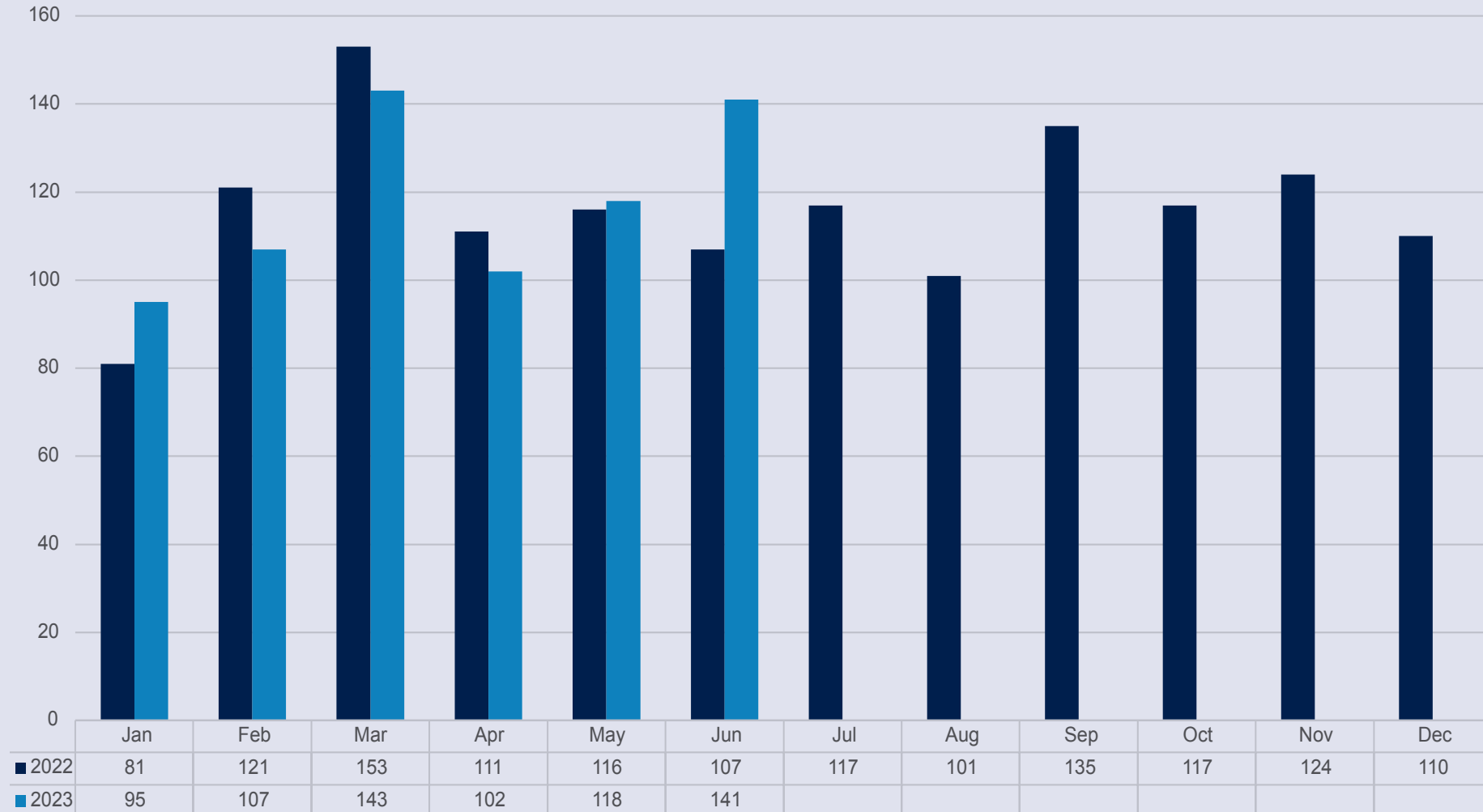
361 SAR reports were received by the Jersey FIU in Q2 2023.

FIU Comment: This is an 8% increase compared to the same period in 2022 and a 5% increase when comparing to Q1 2023



SAR Totals by Month

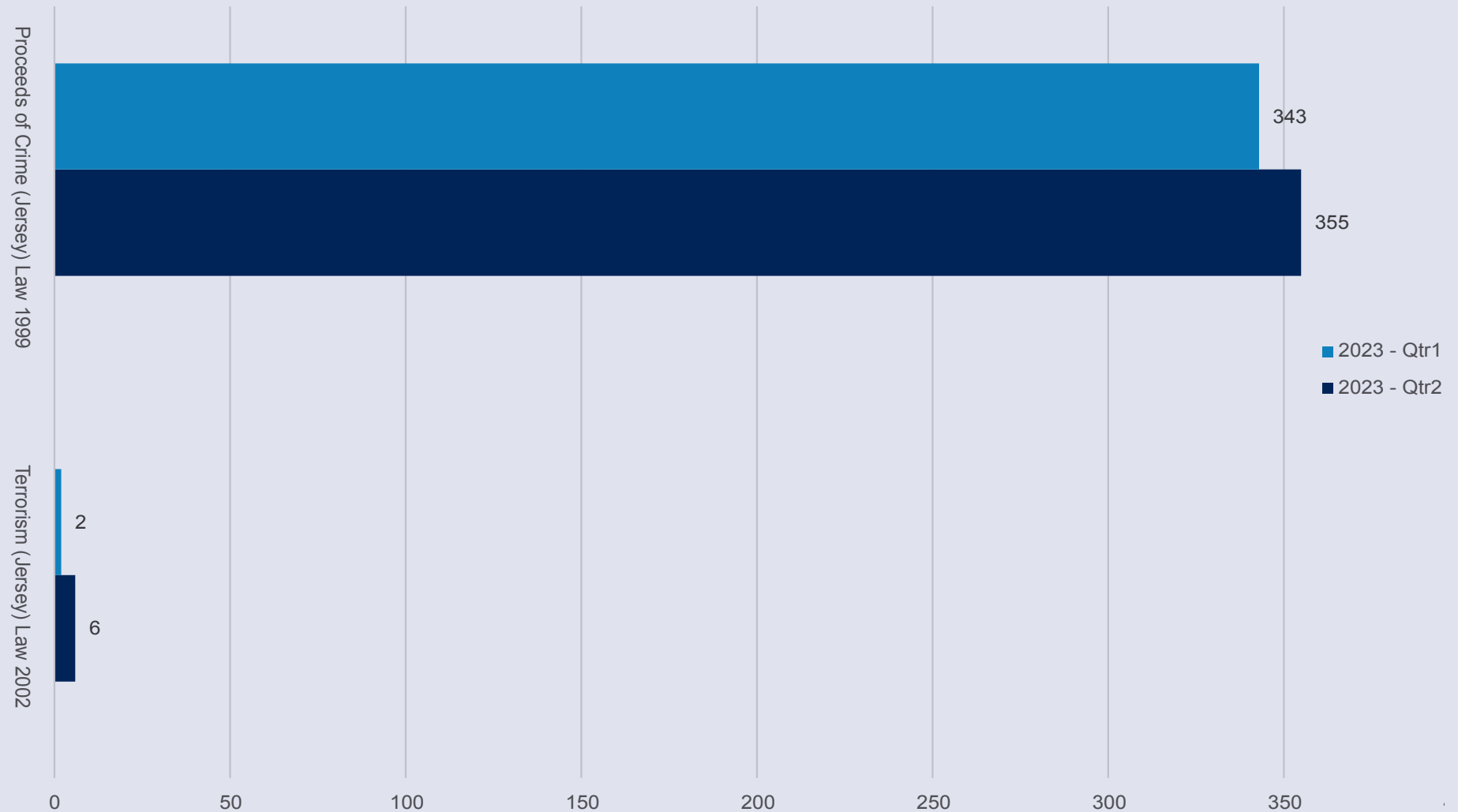
Total SARs received comparison by month 2022 to 2023



SARs by Legislation per Quarter

Legislation reported by Quarter Q1 2022 and Q2 2023.

In Q2 2023 355 SAR reports were submitted under the Proceeds of Crime (Jersey) Law 1999 (POCJL), with 6 SARs submitted under the Terrorism (Jersey) Law 2002 (TJL).



❖ SARs - Business Declined by Quarter

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 TJI legislation. 42 SAR Reports in Q2 2023 stated the business had been declined.

Business Declined	Q1 23	%	Q2 23	%
No	292	84.6%	319	88.4%
Yes	53	15.4%	42	11.6%
Total	345	100.0%	361	100.0%

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):

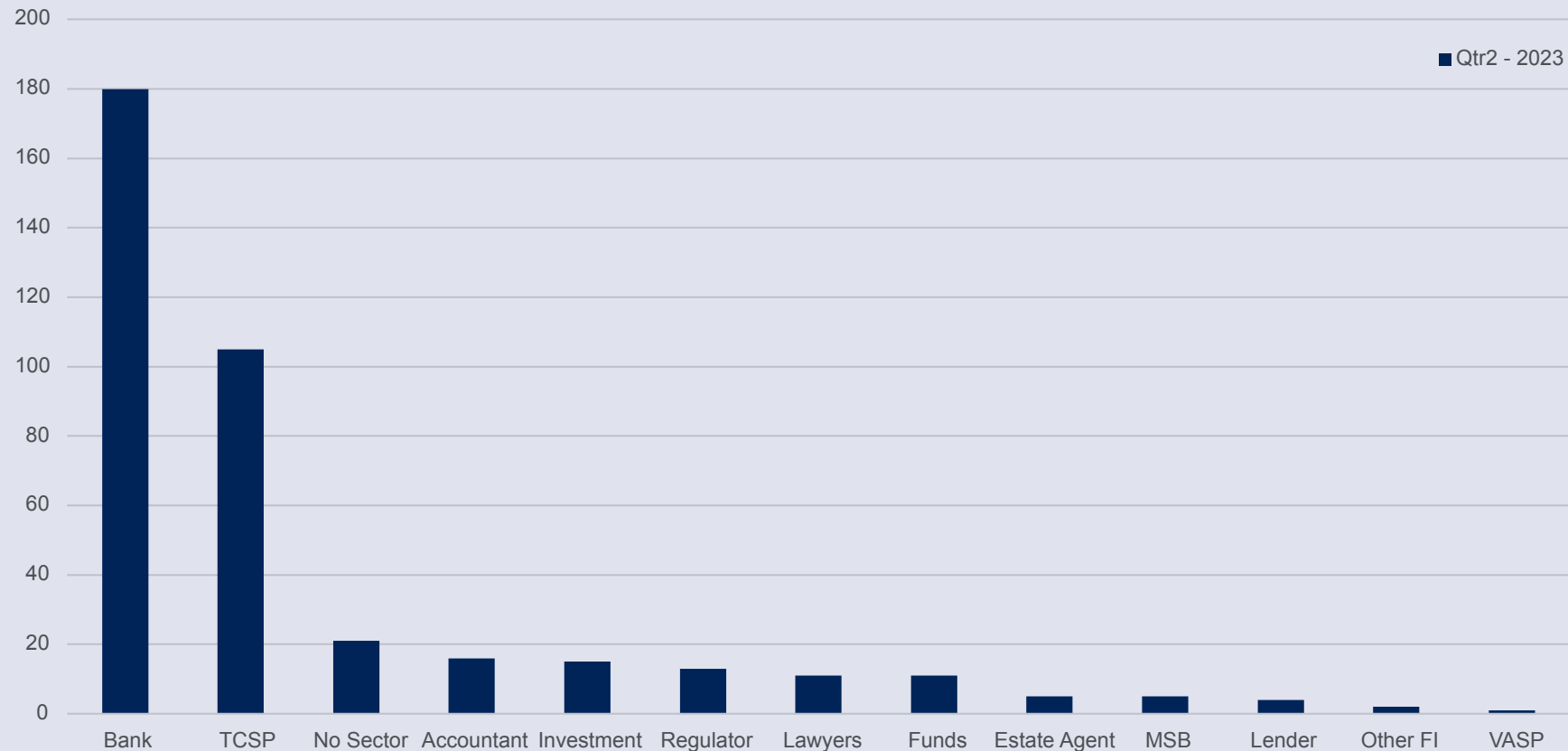
Grounds for Disclosure	Q1 23	Q2 23
Due Diligence	16	16
Internet Research/Media	15	17
Fraud / False Accounting	9	9
Evidence of Forged Documentation	5	1
Sanction identified	4	1
Account Activity Not in Keeping with KYC	4	2
Cash Transactions	2	1
Highly Transactional	2	2
Gambling	2	2
High Risk Jurisdictions	2	3
Group Information	2	1
Tax/TIEA	1	7
Unusual Forex Transactions	1	
Vulnerable Person		1
Total	65	63

REPORTING SECTOR FEEDBACK

SARs by Reporting Sector per Quarter

On 1st of April 2023 the FIU changed the online portal and enabled submitters to submit one report from multiple entities. Previously reporters could only submit from one report from one entity. Therefore, no comparison to reporting sector data from Q1 2023 has been made.

FIU Comment: Banking was the largest reporting sector equating to 46.3% of all SARs submitted in Q2 2023. They were followed by the Trust and Corporate Service Provider (TCSP) sector (Q2 2023 – 27%) and then ‘No sector’ (Q2 2023 – 5.4%). The FIU can determine the reason why the No Sector SARs are higher than expected.



❖ SARs by Reporting Sector per Quarter

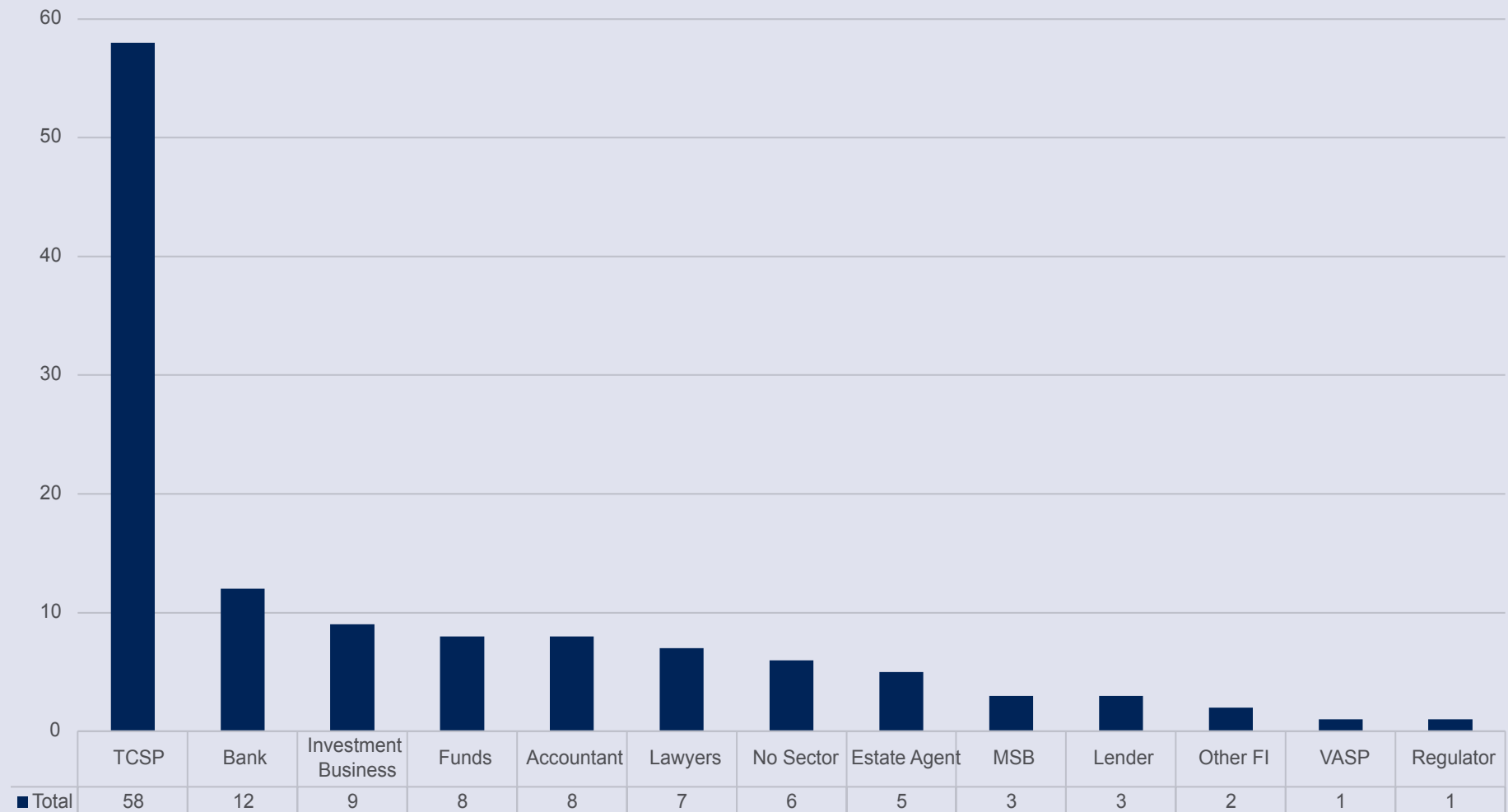
Sector	Q2 23	Q2 23 %
Bank	180	46.3%
TCSP	105	27.0%
No Sector	21	5.4%
Accountant	16	4.1%
Investment Business	15	3.9%
Regulator	13	3.3%
Lawyers	11	2.8%
Funds	11	2.8%
Estate Agent	5	1.3%
MSB	5	1.3%
Lender	4	1.0%
Other FI	2	0.5%
VASP	1	0.3%
Grand Total	389	100.0%



Number of Entities Reporting by Sector per Quarter

The below graph shows how many entities have reported per identified sector, for example, in Q2 2023, 58 different entities submitted a report from the TCSP sector. 'No sector' refers to a submission from a non-financial service business.

FIU Comment: The TCSP sector had the largest number of reporting entities (58) in Q2 2023, followed by Banking (12) and then Investment Business (9) sectors. To note, notwithstanding the changes the FIU noted, no significant difference from Q1 to Q2 2023 in the number of reporting entities.



CONSENT REQUESTS

Consent requests by Quarter

Consent request are broken down by Act, Transact and Exit. In Q2 2023 there was 377 Consent Requests received.

FIU Comment: For Q2 2023 the FIU has provided consent on 263 occasions (70%), withheld consent on 81 occasions (21%), the matter was not considered a consent issue on 8% 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%
Total	229	100%	42	100%	104	100%	375	100%
Submitter Error	3		2		2		7	

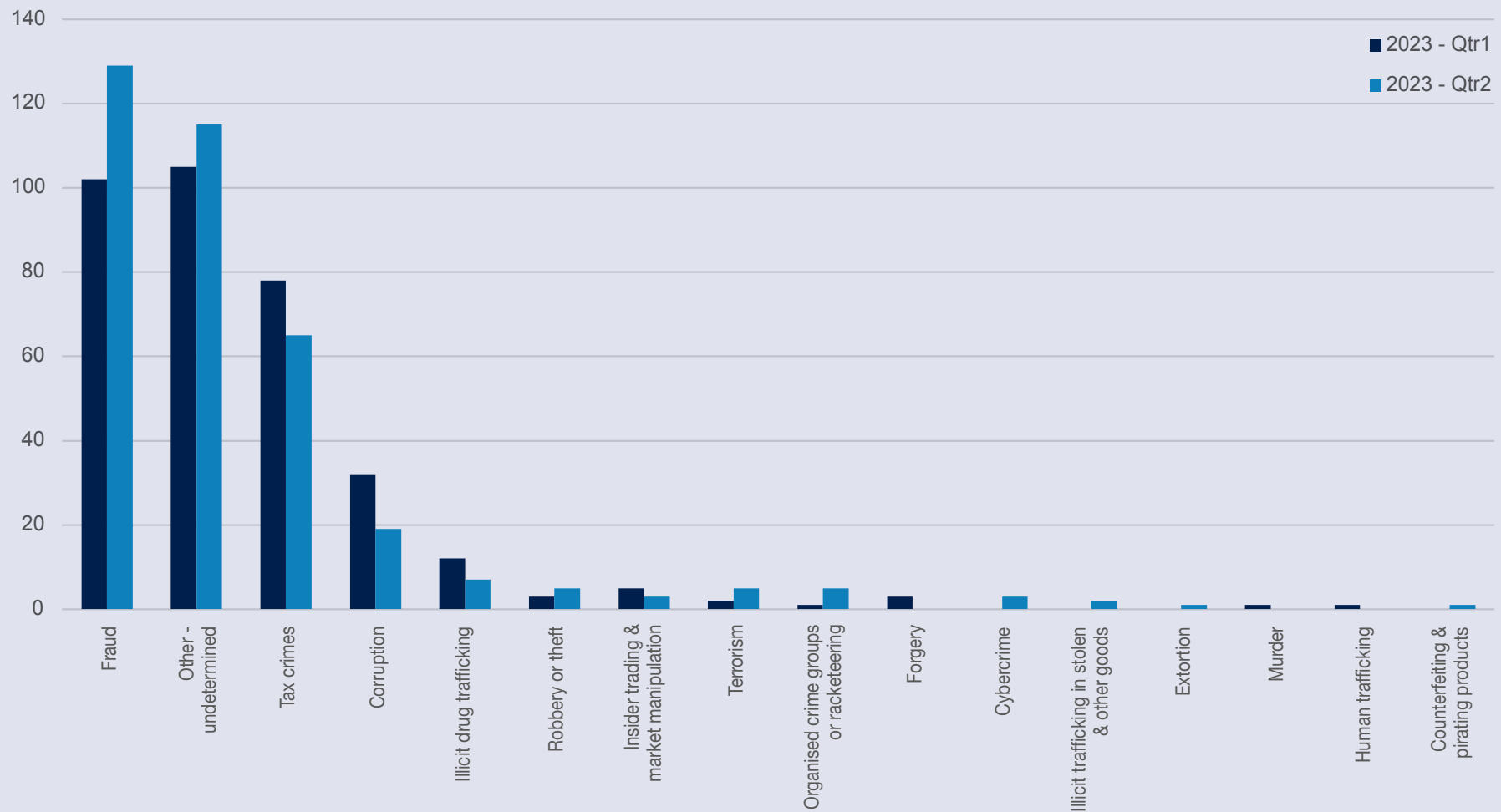
Quarter 2	Transact	%	Act	%	Exit	%	Total	%
Yes	157	75%	16	54%	90	67%	263	70%
No	39	18%	6	20%	36	26%	81	21%
Not a consent matter	14	7%	7	23%	8	6%	29	8%
Withdrawn	1	0%	1	3%	2	1%	4	1%
Total	211	100%	30	100%	136	100%	377	100%
Submitter Error	2		1		5		8	

CRIMINALITY ACTIVITY FEEDBACK

Entity criminality Q1 and Q2 selection by Quarter

The below graph shows the predicate criminality selected by the submitting entity, for example, in Q2 2023, 130 entities submitted a report where the identified predicate criminality was Fraud.

Entity Criminality Q1 2023 and Q2 2023



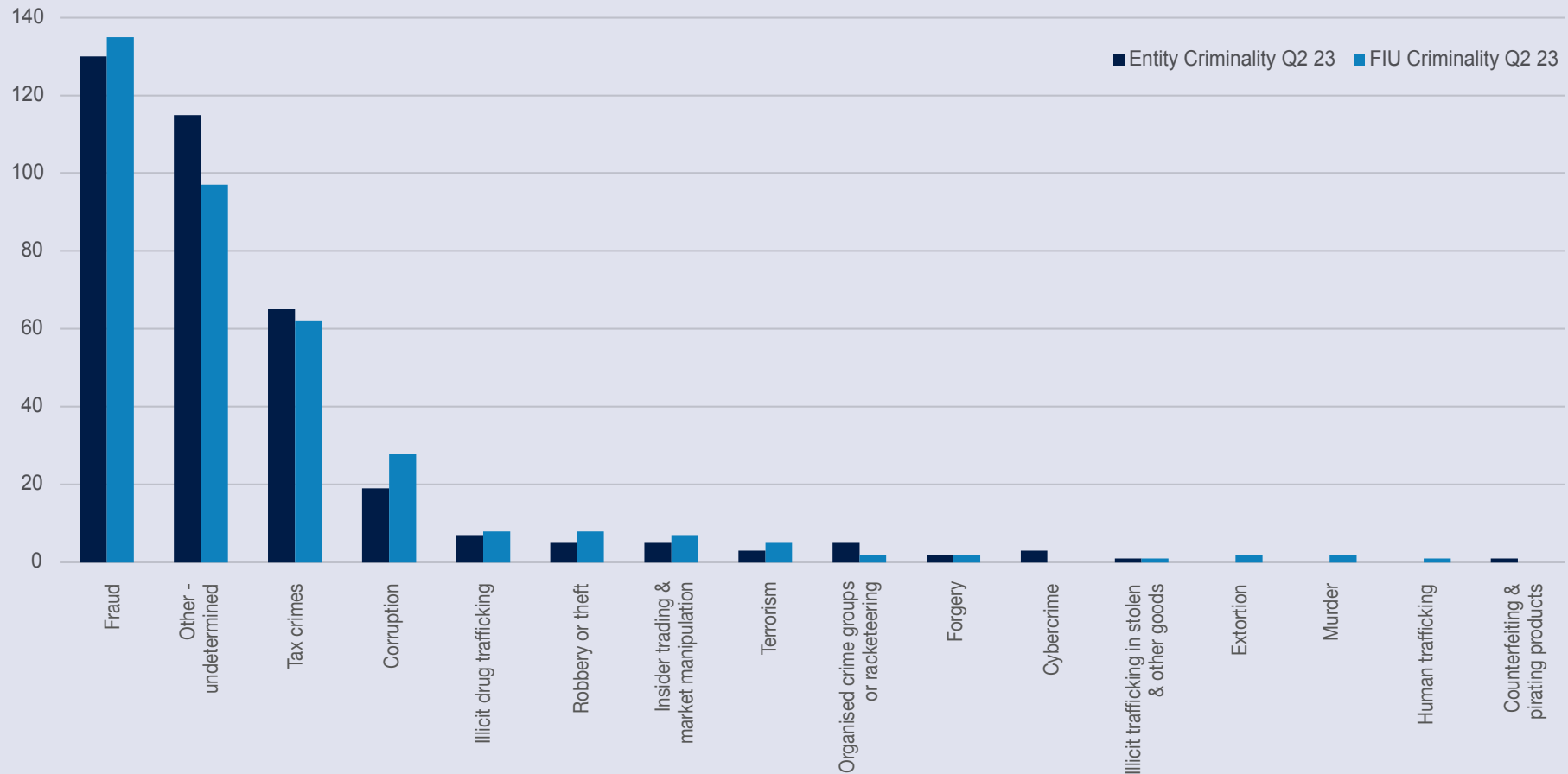
❖ Criminality Activity Feedback continued

Entity Criminality	Q1 23	%	Q2 23	%
Fraud	102	29.5%	130	35.9%
Other - undetermined	105	30.4%	115	31.9%
Tax crimes relating to direct and indirect taxes	78	22.6%	65	18.0%
Corruption	32	9.3%	19	5.3%
Illicit trafficking in narcotic drugs and psychotropic substances	12	3.5%	7	1.9%
Robbery or theft	3	0.9%	5	1.4%
Insider trading and market manipulation	5	1.4%	3	0.8%
Terrorism	2	0.6%	5	1.4%
Participating in an organized crime group or racketeering	1	0.3%	5	1.4%
Forgery	3	0.9%	0	0.0%
Cybercrime	0	0.0%	3	0.8%
Illicit trafficking in stolen and other goods	0	0.0%	2	0.6%
Extortion	0	0.0%	1	0.3%
Murder	1	0.3%	0	0.0%
Human trafficking and migrant smuggling	1	0.3%	0	0.0%
Counterfeiting and pirating products	0	0.0%	1	0.3%
Total	345	100.0%	361	100.0%

❖ Disclosing entity predicate criminality comparison to Jersey FIU chosen criminality

The SAR template requires a submitter to choose a single predicate criminality they suspect. 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.

Disclosing entity predicate criminality to Jersey FIU criminality comparison Q2 2023



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

	Entity Criminality Q2 23	%	FIU Criminality Q2 23	%
Fraud	130	35.9%	135	37.3%
Other - undetermined	115	31.9%	97	26.8%
Tax crimes relating to direct and indirect taxes	65	18.0%	62	17.1%
Corruption	19	5.3%	28	7.8%
Illicit trafficking in narcotic drugs and psychotropic substances	7	1.9%	8	2.2%
Terrorism	5	1.4%	8	2.2%
Participating in an organized crime group or racketeering	5	1.4%	7	1.9%
Insider trading and market manipulation	3	0.8%	5	1.4%
Robbery or theft	5	1.4%	2	0.6%
Illicit trafficking in stolen and other goods	2	0.6%	2	0.6%
Cybercrime	3	0.8%	0	0.0%
Extortion	1	0.3%	1	0.3%
Forgery	0	0.0%	2	0.6%
Sexual exploitation	0	0.0%	2	0.6%
Illicit arms trafficking	0	0.0%	1	0.3%
Counterfeiting and pirating products	1	0.3%	0	0.0%
Smuggling	0	0.0%	1	0.3%
Grand Total	361	100.0%	361	100.0%

❖ Other – Undetermined (understanding)

Consent requests by Quarter

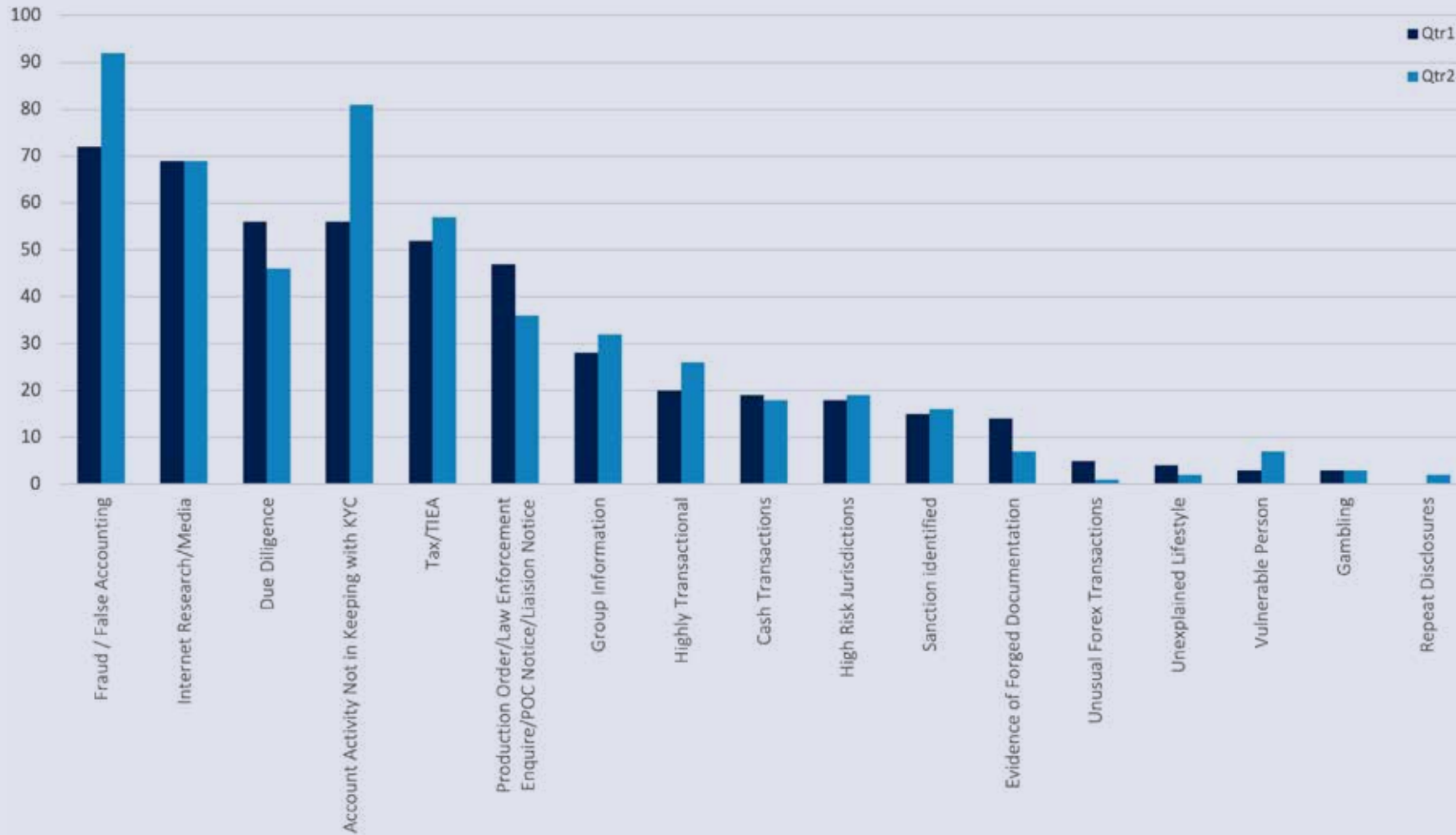
'Other – Undetermined' was chosen as the predicate criminality on (31.9%) SARs in Quarter 2 2023, the below table shows the supporting grounds for disclosure.

	Q1 23	Q1 23 %	Q2 23	Q2 23 %
Account Activity Not in Keeping with KYC	27	16.8%	40	23.0%
Production Order/Law Enforcement Enquire/POC Notice/Liaison Notice	26	16.2%	19	11.0%
Due Diligence	23	14.4%	20	11.6%
Group Information	18	11.3%	18	10.4%
Highly Transactional	14	8.8%	21	12.1%
Internet Research/Media	13	8.1%	18	10.4%
Cash Transactions	13	8.1%	8	4.6%
Sanction identified	8	5.0%	11	6.4%
High Risk Jurisdictions	7	4.4%	12	6.9%
Unusual Forex Transactions	4	2.5%	0	0.0%
Fraud / False Accounting	3	1.9%	1	0.6%
Gambling	1	0.6%	2	1.2%
Tax/TIEA	2	1.3%	0	0.0%
Unexplained Lifestyle	1	0.6%	1	0.6%
Vulnerable Person	0	0.0%	1	0.6%
Repeat Disclosures	0	0.0%	1	0.6%
Grand Total	160	100.0%	173	100.0%

❖ 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 and Q2 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

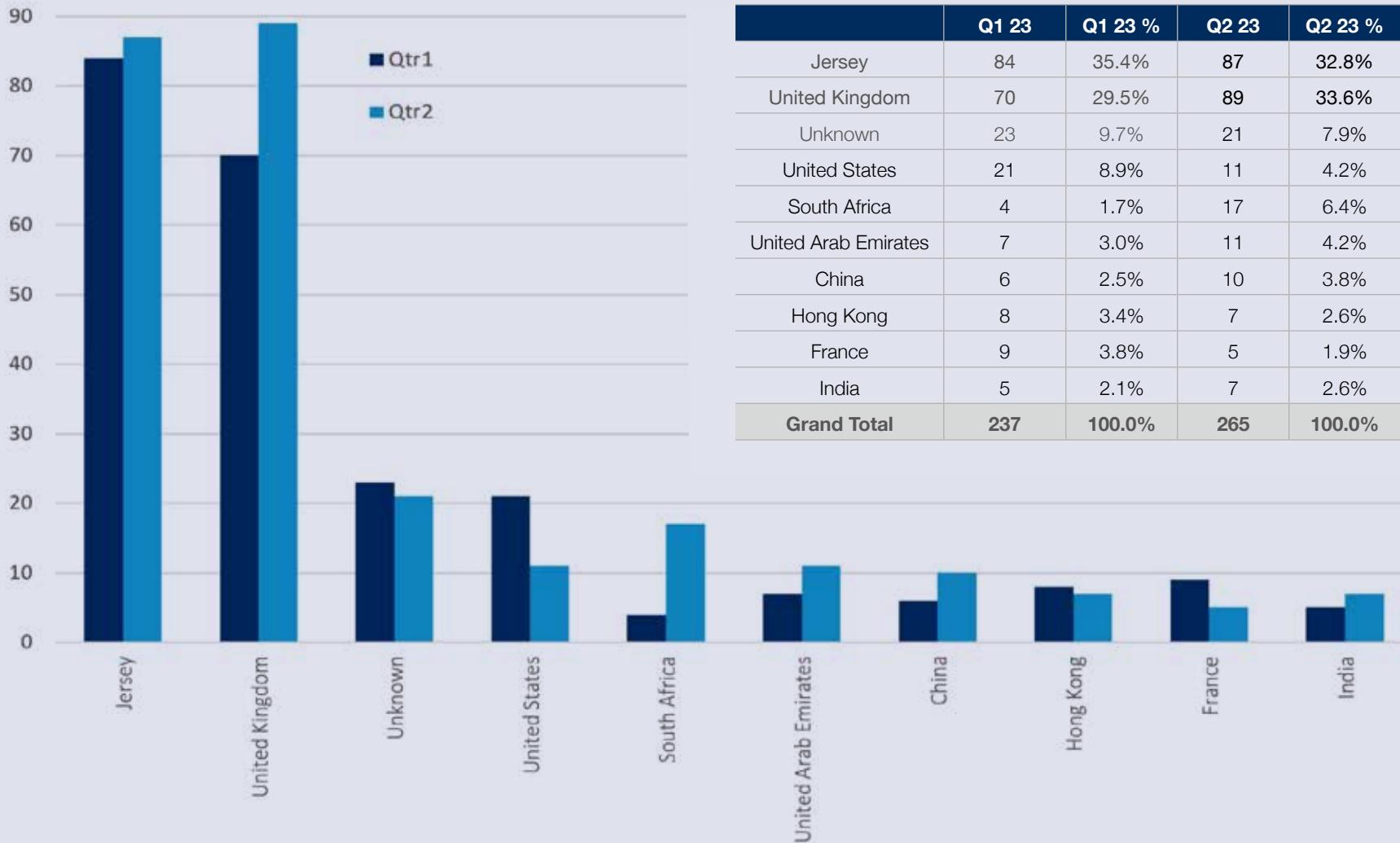
Grounds for disclosure	Q1 2023	%	Q2 2023	%
Fraud / False Accounting	72	15.0%	92	17.8%
Internet Research/Media	69	14.3%	69	13.4%
Due Diligence	56	11.6%	46	8.9%
Account Activity Not in Keeping with KYC	56	11.7%	81	15.8%
Tax/TIEA	52	10.9%	57	11.1%
Production Order/Law Enforcement Enquire/POC Notice/Liaison Notice	47	9.8%	36	7.0%
Group Information	28	5.8%	32	6.2%
Highly Transactional	20	4.2%	26	5.1%
Cash Transactions	19	4.0%	18	3.5%
High Risk Jurisdictions	18	3.7%	19	3.7%
Sanction identified	15	3.1%	16	3.1%
Evidence of Forged Documentation	14	2.9%	7	1.4%
Unusual Forex Transactions	5	1.0%	1	0.2%
Unexplained Lifestyle	4	0.8%	2	0.4%
Vulnerable Person	3	0.6%	7	1.4%
Gambling	3	0.6%	3	0.6%
Repeat Disclosures	0	0.0%	2	0.4%
Grand Total	481	100.0%	514	100.0%

TOP 10 COUNTRIES OF PREDICATE CRIMINALITY

Top 10 Countries of predicate criminality by Quarter

The SAR template requires the submitter to disclose the country where the suspected predicate criminality occurred.

FIU comment: An increase in South Africa as the country of predicate criminality related to 17 disclosures in Q2 2023, while not due to any one factor or institution reporting, the most prominent criminality suspected was 'Tax crimes relating to direct and indirect taxes' (8) and 'Fraud' 6.



❖ POLITICALLY EXPOSED PERSONS (PEPs)

PEPs by Quarter

The table below shows the number and type of PEPs disclosed in Q1 2023 and Q2 2023.

Nominal type	Q1 23	%	Q2 23	%
Suspect	31	73.8%	42	76.4%
Involved Party	11	26.2%	13	23.6%
Total	42	100.0%	55	100.0%

TF SCENARIO FOR THE BANKING SECTOR

Following the success of the Q1 typology suspicious activity scenario, we have a new scenario relevant to the Banking sector. We envisage that Q3 will include a further scenario covering the TCSP sector.



Banking Sector

Situation:

A Jersey resident was a likely victim of a romance scam whereby the funds fraudulently obtained were sent to a European jurisdiction.

Suspicious Activity:

- The reporting entity identified that the transaction was directly to a jurisdiction where Terrorist Financing (TF) was deemed a higher risk.
- This jurisdiction was included in the JFSC D2 list and was highlighted on numerous commercial country risk databases as having terrorist links.
- The account holder was receiving funds from a UK bank account for someone they had never met and onward transferring to the high-risk jurisdiction.

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 on several 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.

Outcomes:

- Local Investigation conducted by the relevant authority.

FIU Comment:

- In this instance, the jurisdiction and lack of clarity on the recipient and how/why they were obtaining money was of concern.
- Whilst this may appear an uncomplicated case, the relevance of the jurisdiction was critical for the FIU to assess the likely reason for the fraudulent activity.
- It is often challenging to determine how funds may be further dispersed or used.
- In this instance, it was not possible to determine if this was criminally or terrorism linked.
- The findings and typology were further captured as a Fraud typology.





Suspicious Activity Reports

Q2 2023

Industry Feedback



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