



Sanctions Circumvention - ML, Organised Crime, Bribery & Corruption

Background

In 2023, the bank submitted a Suspicious Activity Report (SAR) to the FIU Jersey after uncovering serious allegations and adverse media against Mr. X. These revelations expose his alleged involvement in a web of illicit activities, including money laundering, evasion of international sanctions, organised crime, and tax evasion.

Mr. X, a South African national born in Zimbabwe, has been a client of a Jersey-regulated bank since 2015. He maintains joint accounts with his parents. He is the Managing Director of a trading company based in the Middle East.

It is alleged that Mr. X, through his association with an Organised Crime Group (OCG), orchestrated a sophisticated smuggling operation across multiple countries. The scheme involved transporting gold through a network of intermediaries and transit points to obscure its true origin.

Under Mr. X's direction, the OCG utilised falsified documents to declare the gold as originating from non-sanctioned countries. This process included altering certificates of origin and export licenses. To further evade detection, Mr. X established numerous shell companies in various jurisdictions, including Europe, the Caribbean, and the Far East. These entities had no legitimate business operations and were solely used to launder the proceeds from gold sales. The ownership of these shell companies was deliberately concealed through layers of intermediaries, making it challenging for authorities to trace the ultimate beneficiaries.

The OCG also bribed customs officials and other authorities in Asia and Africa to ensure the smooth passage of smuggled gold, avoiding rigorous inspections. The network engaged in trade-based money laundering by manipulating invoice values, over-invoicing imports, and under-invoicing exports to move value across borders without attracting suspicion. Additionally, gold was often misclassified as other commodities, such as scrap metal or jewellery components, to avoid detection.

Mr. X leveraged high-level political connections that played a crucial role in the operation. These connections may have included ties to Russian entities and individuals under sanctions for their roles in destabilising Ukraine. Allegedly, over \$100 million in proceeds from the smuggled gold were funnelled into Russia, supporting various sanctioned entities and individuals.

A review of Mr. X's joint account revealed that it was primarily used for general payments to and from family members and for investments.

However, the review also identified transactions involving two companies allegedly connected to the adverse information, along with several credits from an associated individual. The remitting bank was situated in a high-risk jurisdiction.

Both companies had minimal available information and lacked any online presence. One company maintained a generic website that referenced services related to company creation. The bank review found no supporting documentation or rationale for the credits and debits from these companies.

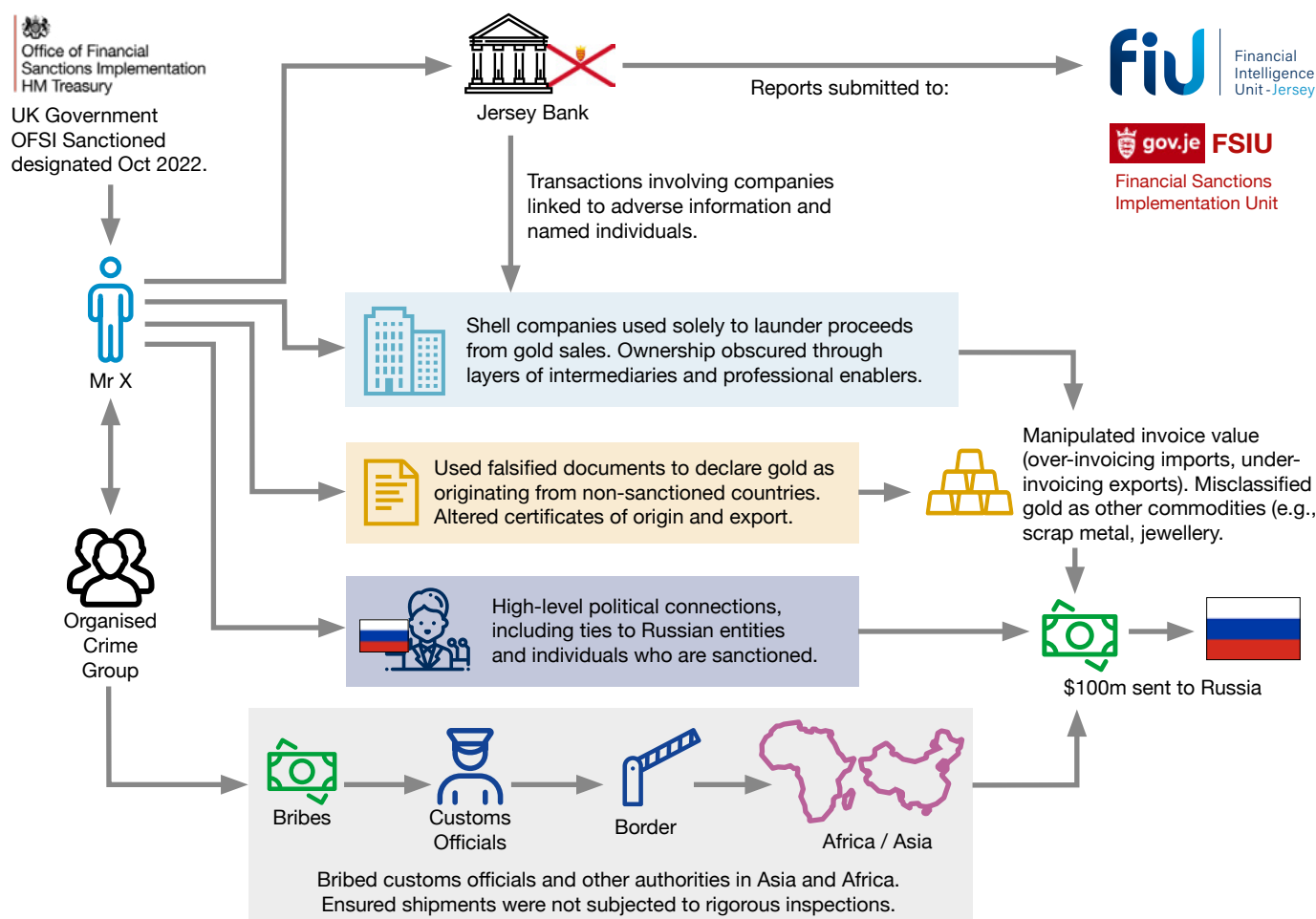
In November 2023, the bank sent a Continuation Report to the FIU Jersey with the following update:

In October 2023, Mr X was designated by the UK Government¹. In accordance with legal requirements, the bank formally reported Mr. X to the Financial Sanctions Implementation Unit (FSIU)² and concurrently submitted a Continuation Report to the FIU Jersey.

Mr. X's gold smuggling network has significant economic and political implications. By circumventing sanctions, the network undermined international efforts to isolate sanctioned entities. Additionally, the proceeds from gold smuggling were used to finance organised crime.

Due to his alleged involvement in these illicit activities, Mr. X has been added to the UK sanctions list³. This inclusion aims to restrict his ability to operate within the UK and access financial systems, thereby curbing his network's activities.

This case study highlights the intricate methods Mr. X and his network used to smuggle gold and evade sanctions. It underscores the importance of international cooperation and robust regulatory frameworks to combat such activities. Enhanced due diligence and stringent enforcement of anti-money laundering regulations are crucial in addressing these challenges.



Indicators:

- Multiple adverse media allegations with a nexus to Mr. X.
- Utilising joint accounts with his parents may be a strategy to obscure the true ownership of funds
- Companies had minimal information and no online presence.
- The company had a generic website about company creation.

- No documentation for credits and debits.
- Suspicion of dealings with sanctioned Russian entities and individuals.
- Russia is included in the JFSC D2 list and red flagged for a higher risk of money laundering⁴.
- Mr. X was designated by the UK Government OFSI⁵.

1 <https://www.gov.uk/government/publications/the-uk-sanctions-list>

2 <https://www.gov.je/government/departments/jerseyworld/pages/sanctionsfaq.aspx>

3 <https://www.gov.uk/government/publications/the-uk-sanctions-list>

4 <https://www.jerseyfsc.org/industry/financial-crime/amlcftcpf-handbooks/appendix-d2-countries-and-territories-identified-as-presenting-higher-risks/>

5 <https://www.gov.uk/government/organisations/office-of-financial-sanctions-implementation>

❖ Suspicious Activity:

- Unusual activity on Mr. X's account, including payment and receipt of third-party payments to his personal account.
- Unsupported third-party credits from foreign entities.
- Credits from an associated individual named in the adverse media.
- Funds received from a high-risk jurisdiction.

❖ FIU Actions:

- Review, grade, and prioritise submissions based on risk and urgency.
- Conduct detailed research and analysis to corroborate suspicions.
- Use advanced OSINT tools to analyse public networks, social media, and the dark web.
- Engage with other FIUs, law enforcement, and international organisations to share intelligence.
- Disseminate intelligence to relevant jurisdictions for coordinated action.

❖ FIU Comment:

- When corroborated from other reliable sources and confirmed to be highly likely accurate, the adverse media highlights a real and active risk with Client Mr X.
- The FIU undertook further OSINT research to identify and verify sources and details from other FIUs supporting the allegations.
- The FIU assesses the funds received as likely to have been the proceeds of crime related to bribery, corruption, money laundering, and Sanctions Circumvention.
- The rationale, reasoning, and requirements for a Jersey bank account are neither clear nor make business or personal sense.
- Demonstrated the bank's strict adherence to regulatory procedures by submitting a Suspicious Activity Report (SAR) and notifying the Financial Sanctions Implementation Unit (FSIU).



PoISAR Online Reporting Portal

Have a suspicion about a financial transaction? Submit a Suspicious Activity Report (SAR) via the PoISAR Portal. Access the portal via a web browser and the following url:

❖ go.fiu.je/SAR