Terrorist Financing - Funds & Trust Company Service Providers

Background:

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

The Jersey Financial Services Commission (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[1].

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 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.
- Terrorist Financing (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.

[1] Jersey Private Fund Guide - Jersey Financial Services Commission (jerseyfsc.org).

- 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:

- 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 Settlors and Beneficiaries of the Trust that are of prime interest.

FIU Comment continued

- 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.

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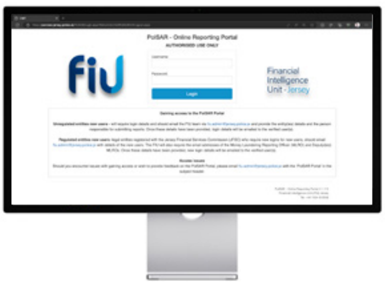

PolSAR Online Reporting Portal

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

go.fiu.je/SAR

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20251001_1016_V3