FIU Financial Intelligence Unit - Jersey

Terrorist Financing - Trust Company Service Provider Sector

Background:

Client X is the settlor of a Jersey Trust, which is administered by a Jersey Trust Company Service Provider (TCSP). The Trust was established for the benefit of Client X's extended family. A sole, non-familial, beneficiary, Client Y, was appointed to the Trust. Client Y is resident in a Jersey Financial Services Commission (JFSC) D2 high-risk jurisdiction with the jurisdiction also on the Government of Jersey (GoJ) Red List countries for Terrorist Financing (TF). Client Y is a close family friend of the settlor and is entrusted to make distributions, from his own funds, on behalf of the Trust. These distributions are to family members (who are not named beneficiaries of the Trust) and but who are also resident in JFSC D2/Red list TF jurisdictions. Client Y is subsequently reimbursed by the Trust directly through UK based bank accounts held in his own name.

Enhanced checks revealed that Client Y's associated businesses and his immediate family operate a network of currency exchange businesses, based in the UK and JFSC D2/Red list jurisdictions. It is unclear what linkages these formal businesses have with the informal value transfer activity in certain jurisdictions. Checks cannot ascertain linkages but value and volume of activity seems to have some discrepancies. These checks also revealed that members of Client Y's extended family and their associated businesses are subject to US, UK and EU terrorism sanctions (Islamic State associated). Therefore, there is suspicion that funds from the Trust may have been diverted and used for TF purposes.

Suspicious Activity:

- The appointment of a non-familial beneficiary based in a JFSC D2 listed country.
- Engagement with a country on the GoJ Red List of high-risk jurisdiction associated with Terrorist Financing.
- Operation of a network of currency exchange businesses in D2/Red list jurisdictions.
- The use of both a formal banking system and the potential to be linked to the informal value system (potentially money services businesses/Hawala type arrangements) to facilitate the funds to individuals not named as beneficiaries of the Trust.
- Indirect sanction links, Client Y maintains close familial and business links with individuals and businesses who are subject of sanction measures.
- An audit trail in respect of the final destination of the distributions made to Client Y under the guise as a "beneficiary" could not be established.

FIU Actions:

- The FIU reviews all submissions and grades and prioritises them as appropriate.
- TF related cases will always be graded as the highest

priority with the greatest urgency of assessment and analysis, known as a Code 1.

- The Code 1 is prioritised and allocated to an FIU officer with specific higher level TF training.
- Whilst all members of the FIU have training in TF matters, the FIU has several officers who are highly trained in TF matters and maintain additional global connections and higher vetting levels to support 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 with domestic competent authorities as well as internationally with global FIUs and specialist counter-terrorism units to share intelligence and seek further information.
- The FIU maintains additional awareness of a range of jurisdictions and activities aligned to product, jurisdiction, sector and client risks, in particular as it may relate to TF matters.

Outcomes:

- Client Y was highlighted as of significant potential risk.
- A review of the Trusts risk appetite and compliance approach identified that they were not suitable as a client.
- Client Y was removed as a beneficiary from the Trust.
- International intelligence organisations could understand wider network links associated with potential TF matters.
- The businesses and associations were further reviewed by international partners in a number of jurisdictions.
- The indirect risk to Jersey was negated.

FIU Comment:

- In TF cases, identifying the value chain and distribution of funding is necessary to fully understand the activity, as the complex links moving between formal and informal value systems is often undertaken to obscure illicit activity.
- It is not always clear how value may be being used or abused. International partnerships and collaborative work is critical to better understand typology and threat development as well as support local investigations and disruption operations.
- The sense and transparency of activity was worrying as it appeared overly complex and seeking to obscure activity.
- The D2 and Red lists are dynamic, necessary and useful aids that can support risk understanding and reporting thresholds.

FEEDBACK

Tell us what you think?

We continually strive to enhance the quality of the products we produce. However, we can only improve if you share your feedback with us. This is your chance and we appreciate it. Visit the link below or scan the QR code opposite. Thank you.

go.fiu.je/feedback-product

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

Typology 03 **Terrorist Financing** /// Trust Company Service Provider Sector

Financial Intelligence Unit - Jersey
Maritime House
La Route du Port Elizabeth
St Helier
Jersey JE2 3NW
Tel: +44 1534 612250
Email: fiu.admin@jersey.police.je
Follow us on social media:
WWW. fiu.je

20251001_1018_V3