



Money Laundering - Funds & Banking Sectors

Background:

Client X is an investor into a Real Estate fund, which is administered by an offshore Regulated Financial Services provider, client X also holds banking products in Jersey. They were Introduced by an overseas, well-regarded Bank. Client X advises they have raised significant funds from their career in the oil business, they are currently the Ultimate Beneficial Owner (UBO) of an oil company, (Company A) via a complex structure involving a series of companies registered outside of Jersey. Client X is a PEP, due to a previous ministerial position.

The funds invested are a loan from company A to client X. Allegations of corruption and bribery have been made against client X, including providing political bribes to gain contracts and overcharging on supplies of oil, circa £60million indicating Trade Based Money Laundering as well as corruption. Company A has a contract to supply oil to company B (a national chain).

Indicators:

- No formal loan agreement between client X and company A for funds invested, no repayment details or interest rate/fee agreement.
- No detailed Source of Funds (SOF)/Source of Wealth (SOW) provided to explain how client X raised funds to establish company A, which quickly after registration of the company gained a contract to supply a national oil company.
- Previous allegations of bribery and corruption levied against company B.
- Unusual activity on company A's account, payment and receipt of multiple third-party payments to personal accounts.
- Media profile of client X and high-ranking employees of company B, dismissed as friends in same industry. Employees of company B have since been investigated for offering contracts to other oil companies in return for corporate hospitality to family members.
- High risk jurisdiction & sector.

Suspicious Activity:

- Regular payments made from company A to the personal account of an employee of company B detailed as expenses on statements, this employee of company B has been authorising inflated invoices for products from company A. Not detected in annual accounts.
- Client has given a negative response to holding PEP status on application form, upon review of relationship the PEP status was discovered, which should have led to Enhanced Due Diligence (EDD) being conducted.
- Reliance placed on another financial service provider for KYC and AML checks. When the PEP status was discovered, EDD should have been undertaken by institution holding the relationship.
- No documentary evidence provided for Source of Funds (SOF) or Source of Wealth (SOW). An email note was received to advise funds were from a loan with no detailed information or documentation provided.
- Overnight media screening revealed criminal case concerning client X.

❖ FIU Actions:

- This SAR was dual reported to two FIU's.
- The FIU reviews all submissions and grades and prioritises them as appropriate.
- All FIU staff have a clear understanding and training in corruption and bribery involving PEPS.
- The FIU engages both domestically and internationally with other units, specialising in cases involving PEPS and grand corruption (misuse or abuse of high-level power).
- Consent to maintain the fund was requested and provided.
- Proceeds of Crime notice sent to a Jersey Bank, requesting statements to review activity on accounts held connected to subject.

❖ Outcomes:

- Client X and company A are facing criminal prosecution charges in the country where client A is resident and oil production takes place.
- No further funds are to be accepted into the fund.
- No distributions to be made to client X or associated companies, due to the presence of open-source adverse media. This can be managed by the fund manager without engaging Article 35 of the Proceeds of Crime (Jersey) Law 1999, relating to tipping off offences.

- Once the fund matures, the administrators have advised that consent will be sought from the FIU to exit the relationship, in the interim further detailed SOF/SOW will be requested from the client and adverse news reports monitored with updates provided to the FIU.
- Consent provided to maintain the investment.

❖ FIU Comment:

- Reliance placed upon another institution, as Client X is the UBO of a large Oil company considerations should have been given to assess how the wealth to own this company was amassed with previous employment contracts detailing bonuses and salaries requested.
- Due to later identification of PEP status as per Article 16(11) of the Money Laundering Order, due to the higher risk, reliance should not have been placed on obliged persons and the fund administrator should have undertaken an Enhanced Due Diligence checks.
- Adverse media allegations made against company B, prior to investment being accepted, which could indicate the company were open to bribery and corruption.
- Reported in timely manner and action taken by financial institution to prevent funds from leaving jurisdiction.



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