Financial Intelligence Unit - Jersey

Political Exposed Person - Sanctions Circumvention/ Corruption - Legal Sector

Background:

A local law firm has been approached by the Ultimate Beneficial Owner (UBO) of a Jersey-registered Company, which holds a UK property (a hotel), to act on their behalf with regard to the sale of the asset. Client X is a Russian national (buyer), resident in the UAE, who wishes to purchase the property, which will be placed in a company registered in Cyprus and form part of the assets of a newly created Trust in Cyprus; the beneficiaries of which are the client's two children.

During initial Client Due Diligence (CDD) checks undertaken by the law firm, concerns are raised regarding the Source of Wealth (Sow) of the proposed purchaser - large sums have been received from the client's ex-husband, Subject A, who is a Politically Exposed Person (PEP) due to his previous role as CEO of a Russian state-owned mine which deals with precious stones. Subject A holds Cypriot and Russian passports.

Subject A is not sanctioned as an individual; however, the state-owned entity of which he was the CEO is. Client X advises that the funds relate to a divorce settlement and are held in an international bank in Dubai.

Indicators:

- High-risk jurisdictions.
- The law firm representing the buyer is reluctant to provide a copy of divorce papers or settlement, which is thought to contain other properties, art, and valuable stones.
- No verification of subject A's current employment or residence.
- Client X has no other Source of Wealth (SoW) or funds apart from that provided by Subject A.
- PEP nexus.
- Potential sanction circumvention issues.
- Speed of transaction: Both the vendor and the buyer are applying pressure to complete the property deal early.

Suspicious Activity:

- Although the divorce is said to be finalised in May 2022, press reports still show the husband and wife attending media events together during 2022/2023.
- The divorce was finalised in a jurisdiction recently highlighted for its regulatory failings in the legal sector.
- Funds were transferred in three transactions as part of a settlement just before the state-owned entity was subject to sanctions.
- The funds did not originate from Subject A's personal bank account or law firm but from a company of which Subject A is the UBO.
- Subject A's banking was moved from the UK to an international bank in Dubai in March 2022.

- Media allegations allege corruption charges against the Russian State owned mine, due to potential bribes paid by senior officials to obtain contracts to export precious stones to United Arab Emirates (UAE) made over several years. Further news articles state human rights abuses at the mines, due to working conditions of migrant workers.

FIU Actions:

- The FIU reviews all submissions regarding this case, grades them, and prioritises them as appropriate. Bribery and corruption concerns are deemed to be of a high probability in this matter.
- The FIU conducts further detailed research, assessment, and analysis to corroborate the suspicion and determine if the source of funds could be linked to corruption.
- The FIU engages domestically and internationally with other partners, specialising in cases involving PEPs and Grand corruption to build further intelligence.
- As a member of the International Anti-Corruption Co-Ordination Centre (IACCC), the FIU Jersey escalates this Grand Corruption case to seek broader international support across law enforcement and FIUs

Outcomes:

- The FIU undertook further OSINT research to identify verifying sources and further detail from other FIUs, which established the names of the senior officials connected to the adverse media and the time-frame the alleged corruption took place, although Subject A was not named in the report the time-frame overlaps with his time as CEO at the organisation. Thus, the funds used to purchase the property could potentially be tainted by proceeds of crime.
- Media searches reveal that Subject A is still used on an ad-hoc basis to provide consultancy services to the organisation.
- The local law firm declined the business due to concerns about reputational risk, potential sanctions compilations, and financial crime.

FIU Comment:

- Under professional requirements, a legal professional must clearly establish who their client is and the origin of the source of funding for the property purchase.
- If the law firm failed to establish those factors, it may suggest a breach of professional obligations.
- Unable to determine if the divorce is an attempt to move value from Subject A to potentially evade assets of a person subject to future sanctions, whose assets may be frozen.
- Reported in a timely manner and action taken by a legal firm to reduce reputational risk and financial abuse of the island’s legal sector.

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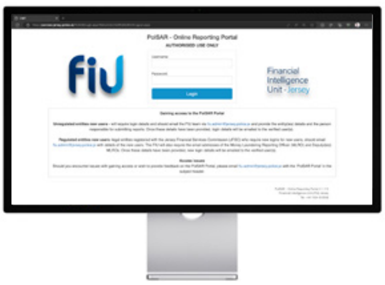

PolSAR Online Reporting Portal

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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