Financial Intelligence Unit - Jersey

Environmental Crime (Deforestation) - Bribery & Corruption - Banking

Background:

A Jersey-regulated bank has flagged unusual activity on Mr X's account. The alert highlighted rapid fund movements, atypical patterns of debits and credits, and cross-border transactions involving high-risk jurisdictions.

Mr X resides in a country in the Middle East which is classified on the Jersey Financial Services Commission (JFSC) D2 higher risk list. Mr X is 40 years old and works as a remote Human Resources (HR) recruitment specialist in the same country, with stated earnings of GBP 20,000 per annum.

Mr X opened a retail account in Jan 2024. In his application form, he stated the following:

- His annual salary was GBP 20,000
- He has savings of GBP 50,000
- The source of the first deposit would be income from gifts valued at GBP 50,000
- Expected funds to be retained amount to GBP 200,000.

An annual review of the account revealed that, over a six-month period, Mr X received six credits from his external account with another Middle Eastern bank, totalling USD 600,000, and a USD 50,000 credit from a bank in France - again, under his name.

As part of the review, the bank contacted Mr X for an explanation relating to the source of these different funds.

Mr X explained that his father's brother-in-law, Mr Y, owned Company A, which is based in a D2 high-risk country in Africa. Mr X's late father, Mr Z, had invested in this company. Following Mr Z's recent passing, the family reached an agreement with Mr Y to sell their shareholding in Company A. The total value of the shares to be distributed among the family members is USD 5,000,000. Mr X stated that he and his four siblings would share this amount, with an initial payment of USD 600,000 already received and a further USD 400,000 expected to follow.

Further contact with Mr X revealed that he had lived in Paris while studying for his master's degree and had resided at a friend's apartment. This address was listed on the transactional statements he provided.

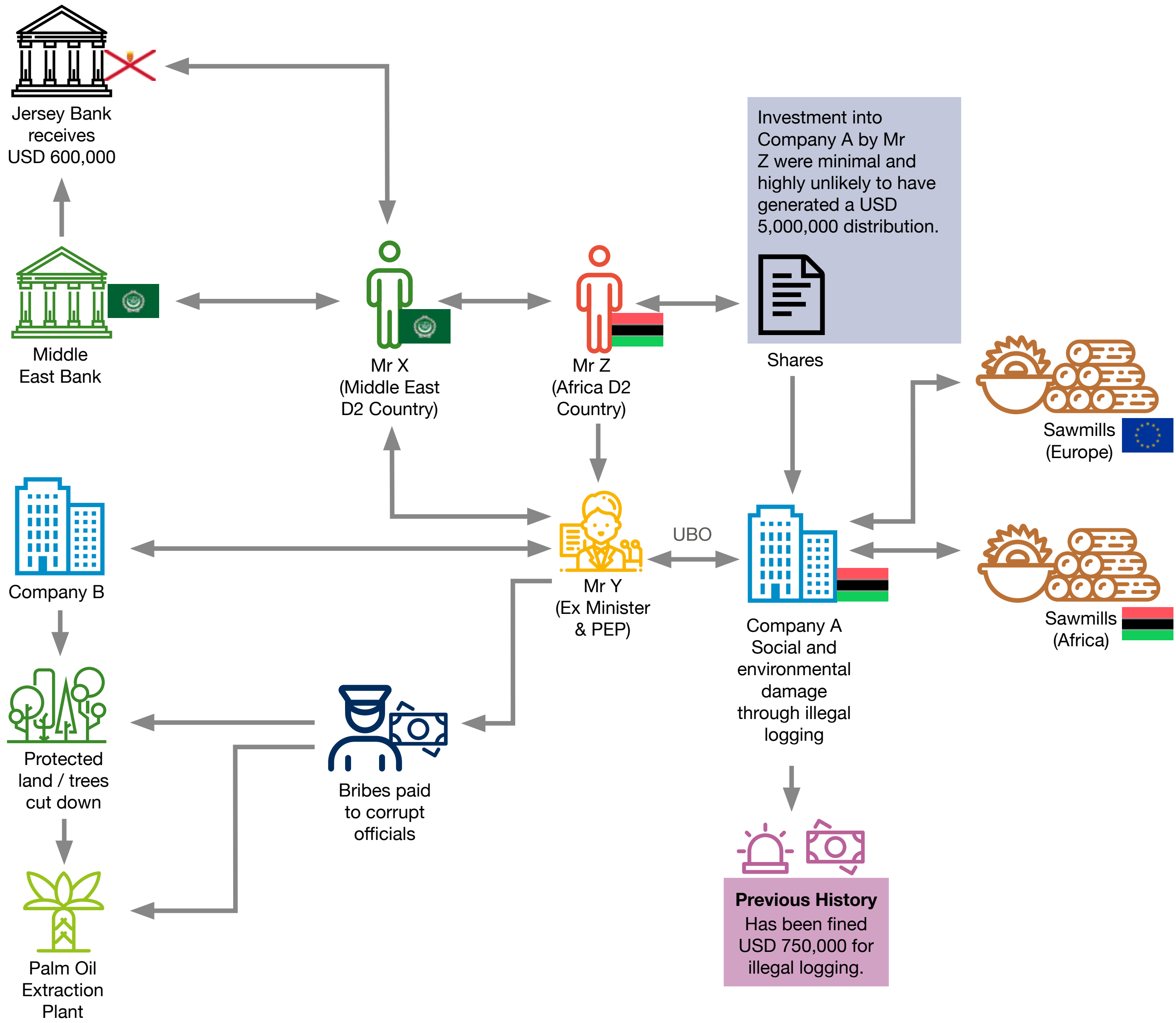
Additional documentation included the total contributions made by his late father, Mr Z, to Company A. These contributions contradicted the amount Mr X received, as the investment was minimal. The bank's investigations indicated that it would be highly unlikely for this investment to now be valued at USD 5,000,000 and had their concerns.

Open Source Intelligence (OSINT) identified that Mr X's brother-in-law, Mr Y, is the ultimate beneficial owner (UBO) of Company A, which operates in Central Africa. The company owns multiple sawmills across Africa and Europe. Mr Y is a former government minister, has been designated as a Politically Exposed Person (PEP).

Company A has been the subject of adverse media coverage, with allegations of violating forestry regulations, contributing to social unrest, and causing significant environmental degradation. Mr Y has reportedly been fined USD 750,000 for repeated involvement in illegal logging activities.

Company A is alleged to have cleared protected areas within a national park to cultivate oil palm plantations. This activity has raised significant environmental concerns due to the destruction of valuable ecosystems.

Additionally, Mr Y is purportedly linked to Company B, which established a new palm oil extraction plant on protected land. Allegations suggest that the license for this development was obtained through bribes paid to corrupt officials, allegedly facilitated by Mr. Y during his tenure in a position of influence. This has led to serious allegations of corruption and environmental violations against Mr Y.



Indicators:

- Rapid movement of funds.
- Unusual debits and credits.
- Cross-border activity with high-risk jurisdictions.
- Discrepancies in declared income and actual transactions.
- Connections to a PEP.
- Adverse media reports on associated entities.

Suspicious Activity:

- Mr X's account received six credits totalling USD 600,000.00 from an external Middle Eastern bank.
- The declared annual salary of GBP 20,000 and savings of GBP 50,000 do not align with the large sums received.
- Several incoming transfers appear to originate from third-party accounts not previously disclosed by Mr X, including the French bank credit, which lacks a clear link to the stated inheritance.
- The source of funds was stated as gifts, but further investigation revealed potential links to illegal activities and corruption.

- Mr X failed to provide adequate documentation to support the legitimacy of the inheritance claim, including legal agreements, probate documents, or tax declarations.

FIU Actions:

- The FIU reviews all submissions, grades them, and prioritises them as appropriate. Bribery and corruption concerns are deemed to be of a high priority and likely 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 illegal logging.
- The FIU has dedicated officers who have received enhanced training in this area and can be referred to by staff within the unit for advice and guidance.
- The FIU engages domestically and internationally with other partners to build further intelligence.
- Intelligence is shared with jurisdictions with a nexus to the case.

FIU Comment:

- Reported promptly, and action taken by Jersey Bank to reduce reputational risk and financial abuse of the island's banking sector and Jersey as an International Finance Centre (IFC).
- The discrepancies between Mr X's declared income and the large sums of money flowing through his account raise significant red flags. The explanation provided by Mr X regarding the inheritance from his late father and business activities does not align with the financial evidence and documentation reviewed.
- The involvement of Mr X's brother-in-law, Mr Y, who is a PEP and has a history of adverse media allegations, further complicates the situation and suggests potential misuse of the financial system for illicit purposes.
- When corroborated from other reliable sources and confirmed to be highly likely to be accurate, the adverse media highlights a real and active risk with Client Mr X.
- The FIU undertook further 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 relating to bribery, corruption and illegal logging.
- The rationale, reasoning, and requirements for a Jersey bank account are neither clear nor make business or personal sense.

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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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