

# Jersey

## Fifth Round Mutual Evaluation Report Executive Summary

1. This report provides a summary of the anti-money laundering and combating financing of terrorism (AML/CFT) measures in place in the UK Crown Dependency of Jersey as at the date of the onsite visit (27 September – 10 October 2023). It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Jersey's AML/CFT system and provides recommendations on how the system could be strengthened.

### Key Findings

- a) Jersey has a strong understanding of its money laundering and terrorist financing (ML/TF) risks informed by a variety of sources. The jurisdiction carried out national and sectorial ML/TF risk assessments, all of which provided a thorough and in-depth analysis of the country's specific risks. This well-established risk identification process is comprehensive and includes the analysis of a wide range of factors and scenarios. This notwithstanding, some specific areas of risk assessment appear to merit further improvements (virtual asset service providers (VASPs) related risks, risks emanating from transnational organised crime). National and agency-specific AML/CFT strategies address the risks identified in the national risk assessments (NRAs). The exemptions are used in low-risk circumstances with regard to a limited number of customers. Whilst these numbers have decreased during the period under review, complete quantitative data on the value relating to these exemptions, for reasons of consistency of valuation of customers and double counting, could not be established. The objectives and activities of competent authorities are largely consistent with the ML/TF risks identified in the NRA. National co-ordination and co-operation between agencies on AML/CFT issues, as well as the private sector awareness of the NRA results are strengths of the Jersey AML/CFT system.
- b) Financial intelligence and other information are regularly used to develop evidence and trace proceeds in investigations of ML, TF, and associated predicate offences. The current trend of an increased use of financial investigation unit (FIU) analytical reports and other intelligence to initiate ML and predicate offences investigations is encouraging. Concerns still remain with regard to the effective use of these throughout the review period. Suspicious activity reports (SARs) are generally aligned with Jersey's risk profile and are of good quality. The FIU's operational independence and resources has significantly improved since the 2015 assessment. As of 2023, the FIU of Jersey is an independent and administrative FIU. Until very recently, the FIU did not have sufficient strategic analysis

capabilities and its output in this context has consequently been very limited. Whilst commendable efforts are now taking place, the planning of strategic analyses is not sufficiently risk based. Jersey exhibits a substantial degree of cooperation between competent authorities.

- c) Jersey routinely identifies and investigates ML cases and the types of ML investigated by the authorities are broadly in line with the country's threats and risk profile, with the exception of ML from tax offences where the number of investigations is low. There are complex ML investigations targeting legal structures and/or asset holding vehicles underway, and a few of those are in the process of being moved to prosecution. Most of the prosecutions and convictions concern cases of self-laundering. Third-party and autonomous ML prosecutions are rare, which is not in line with the jurisdiction's risk profile. Sanctions applied/available against natural and legal persons appear to be effective, proportionate and dissuasive. A number of alternative measures to criminal prosecution have been applied to address the country's context, including mechanisms of civil forfeiture, deferred prosecution agreements and by incriminating the failure to prevent ML. While the latter are too recent in their inception, the results obtained under the civil forfeiture legislation are convincing.
- d) The confiscation of criminal proceeds is pursued by Jersey as a policy objective and the outcome of the authorities' actions are mostly in line with the country's risks and context, with the possible exception of tax crimes. The courts routinely order the confiscation of assets previously seized during a criminal investigation. Non-conviction-based confiscations (civil forfeiture) have also been routinely applied when criminal conviction could not be achieved. The overall amounts confiscated so far are adequate, considering the context of the jurisdiction. Foreign requests for confiscation are recognized, and the country has organized both the repatriation and the return of assets to and from other jurisdictions. Tainted cash (there are no cases of bearer-negotiable instruments – BNIs) is routinely detected and confiscated and the actions of the authorities in this field are broadly in line with the country's risk profile.
- e) Jersey has appropriate mechanisms in place for the identification, investigation and prosecution of TF. A variety of intelligence sources are considered when analysing the need to initiate a TF investigation. Financial investigations are conducted in terrorism-related investigations. There have been four TF investigations so far, none of which have led to prosecutions or convictions due to the absence of grounds. The absence of TF-related prosecutions and convictions is broadly in line with the Jersey's TF risk profile. Sanctions available under the Jersey legislative framework appear to be proportionate and dissuasive in the event of a conviction. In addition, Jersey authorities have different alternative measures to disrupt TF (such as non-conviction-based forfeiture, prosecution for other offences or the curtailment of leave).
- f) Jersey implements TF-related and proliferation financing (PF)-related targeted financial sanctions (TFS) without delay. Relevant mechanisms are in place to communicate amendments to the sanctions lists to the obliged entities. No funds or other assets have been frozen in Jersey to date under the United Nations TF or PF TFS regimes. Whilst the obliged entities are aware of TFS obligations, the identification of close associations and indirect links to sanctioned persons remains a challenge. There is room for improvement in the area

of supervision with TFS requirements. In 2023, the authorities started to implement the risk-based supervisory oversight to the non-profit sector.

- g) Understanding of ML risks and AML/CFT obligations is generally good across all sectors (specially banks and larger trust and company service providers – TCSPs – and law firms), while understanding of TF risk is less developed. Risk mitigating measures applied by reporting entities (REs) are mostly commensurate to risk, although effectiveness improved more recently and there is uneven implementation of measures in relation to complex structures. Customer due-diligence (CDD) and record-keeping obligations are generally well understood, although the assessment of low risks necessary for the application of exemptions is not always based on sufficient information. Relevant enhanced due-diligence (EDD) measures are applied in relation to politically exposed persons (PEPs), new technologies, wire transfers, TFS and high-risk countries, although most REs only apply all relevant measures to PEPs where there is an accumulation of risks. The number of ML-related SARs is lower than expected by the assessment team (AT) considering the risks Jersey faces and policies do not always ensure prompt reporting, although the quality of SARs has been improving lately. REs generally have adequate corporate governance arrangements and internal policies and controls, although this is quite recent for some designated non-financial businesses and professions (DNFBPs). Availability of qualified resources in compliance functions was identified as a serious challenge.
- h) The measures aimed at preventing criminals from entering the market are in place for all sectors, however, for DNFBPs and VASPs the criminality checks were introduced very recently. The JFSC's practice of relying on a self-declaration by the applicant to report criminal convictions and screening against specific lists is a less effective control in comparison to the requirement for criminal record certificates as a routine practice. Whilst the JFSC demonstrates a good understanding of ML risks, with TF developed to lesser degree, the supervisor would nevertheless benefit from enhancement to its current institutional risk assessment model. Supervision by the JFSC concentrates on the higher-risk entities in the materially important sectors (most notably banks and TCSPs) and the number of inspections and resources has been improving over the assessed period. Full-scope and focused/targeted inspections have been in the minority for most sectors. When it comes to breaches, the JFSC's approach greatly relies on remedial actions. Imposition of sanctions has been modest, and in the case of financial penalties, minimal and not in line with the risk profiles of the entities and the number and types of breaches detected. While supervisory efforts have had some positive impact on compliance, there is still room for improvement as seen in IO.4 and the number of breaches has remained quite steady.
- i) Jersey authorities demonstrated a good understanding of the extent to which legal persons and arrangements can be misused for ML purposes. The legal persons and arrangements ('LPAs') risk assessment exercise of 2023 was detailed and comprehensive, but could have further considered the methods and schemes through which risks could materialise through different types of LPAs and their inherent vulnerabilities for TF purposes. Jersey has a fully populated Registry concerning legal persons, whose basic information is publicly available, and the beneficial ownership (BO) information is accessible by competent authorities. The Registry has put in place comprehensive and thorough checks, risk assessment and vetting processes at the registration phase and on an ongoing basis. BO information of legal

arrangements (mostly trusts) is collected, maintained, updated and made available to competent authorities almost exclusively by TCSPs. Supervisory actions concerning the sector have so far uncovered few shortcomings related to BO information obligations and the number of trusts covered are below those of the full trust population. A range of administrative and criminal sanctions is available for non-compliance with BO obligations of legal persons, which have mostly been used in cases related to the requirements of appointing a nominated person or submitting the annual confirmation statement, and in few cases for not updating BO information within 21 days of a change, but not for the provision of false or misleading BO information.

- j) Jersey demonstrates commendable efficiency and timeliness in addressing mutual legal assistance (MLA) and extradition requests. Significant efforts are also made in seeking legal assistance, including the extradition of persons to Jersey, to pursue domestic ML. Nonetheless, shortcomings identified in IO.7 may have impacted the country's ability to seek MLA, particularly in earlier years of the review period. The competent authorities in Jersey actively seek and provide other forms of international co-operation in pursuance of ML or for regulatory purposes, particularly in recent years, as the number of outgoing requests from the FIU was notably low, and not commensurate with Jersey's risk profile. Jersey authorities consistently and proactively share BO information related to legal entities and arrangements with foreign authorities. The process of sharing this information has been notably smooth, without significant practical obstacles.

## Risks and General Situation

2. Being an international financial centre (IFC), Jersey's primary money laundering (ML) threats stem from non-resident customers that may seek to transfer criminal proceeds that were generated abroad to, or through, Jersey or who may seek to use trust and company service providers (TCSPs) to facilitate their illicit activities. In that regard, different types of frauds, corruption, tax offences and drugs trafficking were identified as the most pertinent threats. The inherent risks for the financial centre result, in particular, from its international clientele and the services/products offered in the field of wealth management. Jersey financial institutions (TCSPs included) often handle mandates of considerable complexity that require a high degree of know-how. In addition, the Jersey financial centre serves as a one-stop shop for all types of financial products and services wealthy non-resident clients may seek, including the establishment of legal persons and arrangements, administration of structures, opening of bank accounts, virtual asset services, etc. These services could make the country an attractive location for ML. Incriminated assets from abroad can flow into Jersey by using the financial products and services it offers, where they can be administered and further transferred to destination countries using a wide variety of structures.

3. Jersey has not experienced any terrorist attacks to date and the likelihood that it will become a target of terrorism is low. No terrorist organisations are operating or are present in Jersey and Jersey also has no parts of the population that would be sympathetic to the terrorist cause. Still, the risk that Jersey is being misused for terrorism financing (TF) purposes is determined to be medium-low as funds may be moved through Jersey's financial system.

## Overall Level of Compliance and Effectiveness

4. Jersey has taken steps since its last evaluation to remedy the deficiencies identified during that process – the jurisdiction strengthened its legal and regulatory framework and published its first comprehensive NRAs in 2020 and 2021, based on the World Bank methodology. Data used in the ML part of the 2020 NRA covered the period 2017/18 but in some specific sectors this was supplemented by 2019 data (covering the period from 2013 to 2015), which was then updated by its second iteration - finalised in July 2020. In 2023, the ML and TF NRAs were updated.

5. In most respects, the elements of an effective AML/CFT system are in place, but the practical application of the existing framework has still to be improved in some areas to reach a substantial level of compliance. These should, *inter alia*, include the improvements in the quality of the FIU products (both at operational and strategic level) and their usage for investigation and prosecution of ML/TF and predicate offences; investigations/prosecutions of complex ML schemes which potentially include legal structures established and managed in Jersey; a more robust process for conducting criminality checks at the market entry stage and subsequent changes as well as an enhanced institutional risk assessment process by the supervisor; a more effective and dissuasive application of the sanctioning regime for AML/CFT infringements and better implementation of specific EDD measures to PEPs and of ongoing monitoring to existing customers by the private sector, as well as improvements in their systems and processes to identify and report suspicions.

6. In terms of technical compliance, the legal framework has been enhanced in many aspects, nevertheless, some issues remain, including measures applied with regard to internal controls and foreign branches and subsidiaries (R.18).

### *Assessment of risk, coordination, and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)*

7. The competent authorities of Jersey have a strong and detailed understanding of the jurisdiction's core ML/TF risks. The authorities have a particularly good understanding of risks in the financial and trusts and companies service providers (TCSP) sectors, whereas there is also a sufficiently broad understanding of risks in other sectors. This is assisted by the fact that the two iterations of NRA were both systemic large-scale exercises with high-level commitment and nationwide coverage.

8. A broad range of areas relevant for an IFC were analysed throughout the NRA processes. The analysis is of a good quality, with a comprehensive overview and reasonable and well-grounded conclusions on the key risk areas. Given the way the NRA process was carried out, the level of participation and the multi-agency approach, it could be concluded that the NRA reports result from a thorough and comprehensive understanding of ML/TF risks by the competent authorities of Jersey.

9. The threat analysis relied on information from the cases investigated/prosecuted so far, as well as from financial intelligence on suspicions of ML stemming from foreign predicates. The latter (i.e., use of financial intelligence) enabled the authorities to go more in-depth with the threats' analysis, given the limited number of cases prosecuted before the court. In addition, threats stemming from organised crime in foreign jurisdictions and their potential links to Jersey are also considered and assessed, although these are limited to organised crime groups from the UK and Ireland. This notwithstanding, the FIU, LEA and prosecutors demonstrated better understanding of threats than the NRA (and its update) would suggest.

10. There is strong political commitment in Jersey to address any shortcoming in relation to the overall AML/CFT system. This is very much reflected through concrete actions and continuous activities of the Financial Crime Political Steering Group (PSG) and of individual authorities.



11. Jersey has considered the risks related to a set of exemptions from CDD requirements which can be applied by a supervised person. Whereas the exemptions are used in low-risk circumstances and include a limited number of customers (which showed a decreasing trend during the period under review), the full scope materiality (through calculating a total volume of funds) relating to these exemptions could not be assessed further due to the issues relating to consistency of valuation of customers and double counting.
12. The objectives and activities of competent authorities are largely consistent with the ML/TF risks identified in the NRA and those actions outlined in the National Strategy. There is strong national co-ordination and co-operation between agencies on AML/CFT issues.
13. Jersey extensively communicates the results of risk assessments to the private sector and the private sector demonstrated a high level of awareness of the NRA findings.

*Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; 10.6, 7, 8; R.1, 3, 4, 29–32)*

14. Jersey competent authorities regularly access and use financial intelligence and other information to develop evidence and trace proceeds in investigations for ML, TF, and associated predicate offences. The FIU Jersey is an important source of intelligence. During the period under review, the FIU changed its status from being a part of law enforcement to becoming an independent administrative body. The quality of FIU intelligence reports has varied over time, with improvements being noted in the last couple of years. Whilst the current trend of an increased use of FIU analytical reports and other intelligence to initiate ML and predicate offences investigations is encouraging, concerns remain with regard to the effective use of these throughout the review period and before the FIU related reforms were initiated.
15. Suspicious activity reports (SARs) submitted to the FIU are generally aligned with Jersey's risk profile and are of good quality, although some defensive reporting takes place. Whilst some concerns have been noted with regard to the timing of SARs, the FIU provides feedback to reporting entities on the completeness of SARs, which reporting entities have welcomed and found useful. This feedback does not include the outcome of the SAR submitted.
16. Until very recently, the FIU did not have sufficient strategic analysis capabilities and its output in this context has consequently been very limited. Commendable efforts are now taking place, although the planning of strategic analyses could be better aligned with the findings of Jersey's NRA. Jersey exhibits a substantial degree of cooperation between competent authorities, with information sharing occurring routinely.
17. Jersey investigates all types of ML cases in line with the country's threats and risk profile, with the exception of ML from tax offences committed abroad where the number of investigations is low. Authorities are generally well resourced and trained. The number of prosecutions and convictions is yet low, and they concern only cases of self-laundering. However, there are complex ML investigations underway, and a few of those are in the process of being moved to prosecution. Sanctions available against natural and legal persons are effective, proportionate and dissuasive. A number of alternative measures to criminal prosecution are available and some of them have been successfully applied.
18. The courts routinely order the confiscation of assets previously seized during a criminal investigation and non-conviction-based confiscations (civil forfeiture) have been routinely applied when criminal conviction could not be achieved. The overall results from the application of different confiscation regimes (conviction and non-conviction-based confiscation) are good and generally reflect the assessment of ML/TF risks and the national AML/CFT policies and priorities, with the exception of tax crimes committed abroad

and ML-only offences. Jersey has also successfully demonstrated the repatriation and return of assets to and from other jurisdictions as well as detecting and confiscating tainted cash.

*Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5–8, 30, 31 & 39.)*

19. The authorities involved in the operational analysis, criminal investigation, and prosecution of terrorism-related and TF cases are adequately qualified, experienced, empowered and enabled to identify potential terrorism and TF risks. Jersey has a sound legal and institutional framework for combating TF. The authorities involved in terrorism and TF related prevention and investigation are aware of the TF risks and threats. There have been four TF investigations so far, none of which have led to prosecutions or convictions due to absence of grounds.

20. Jersey's policy concerning TF is integrated with the UK's national counter terrorism (CT) strategy, allowing it to be supported at all stages of TF analysis and investigation by expertise provided by the UK security services and law enforcement. There is ongoing cooperation between the prosecutorial authorities of the UK and Jersey.

21. The sanctions available for TF under the Jersey legislative framework appear to be proportionate and dissuasive in the event of a conviction. In addition, Jersey authorities have different alternative measures to disrupt TF (such as non-conviction-based forfeiture, prosecution for other offences or the curtailment of leave).

22. Jersey has a comprehensive legal framework in place that ensures automatic implementation of relevant UNSCR covering TF and PF-related TFS without delay. However, some legislative changes and new procedures (e.g., relating to NPO supervision, proposals for designation, addressing foreign requests for terrorist designations, identification of targets for designation) were introduced very recently which did not allow for their effectiveness to be fully demonstrated.

23. The island has not identified any individuals or entities for designation or proposed any designations to the 1267/1989 Committee or the 1988 Committee. Although no funds or other assets have been frozen in Jersey pursuant to UNSCRs (PF and TF-related TFS), assets were frozen based on other sanctions' regimes which is a good indicator that Jersey authorities are able to take action to deprive persons of TF/PF related assets.

24. Obligated entities are generally aware of TFS screening obligations and the requirements to freeze funds/assets, however, the implementation techniques vary across FIs and DNFBPs with difficulties reported by obliged entities to identify close associations and indirect links with sanctioned entities and individuals. Obligated entities would benefit from further guidance in this regard in order to prevent sanctions evasion risk, as well as guidance on PF as distinct from TF. Supervisory arrangements to monitor compliance with TFS requirements are in place, however, the supervisory practices should be strengthened.

25. The authorities conducted a TF risk assessment of the NPO sector and identified a subset of NPOs vulnerable to TF abuse. The risk assessment results were used to develop a risk-based regulatory and oversight framework for the NPO sector. In 2023 the authorities took the first steps concerning the risk-based supervisory oversight of NPO activities, such as conducting examinations. The AT expressed its concerns in relation to the proportionality of the legal requirements for the entire subset of NPOs vulnerable to TF abuse.

*Preventive measures (Chapter 5; IO.4; R.9–23)*

26. Understanding of ML risks and AML/CFT obligations is generally good across all sectors, most notably banks and larger TCSPs (which are the biggest risk drivers for Jersey) and law firms, although this

has not been the case for the entire period under review. Understanding of TF risks is, overall, less developed and mostly focused on risks related to NPOs and persons subject to TFS.

27. Risk mitigating measures applied by REs are mostly commensurate with risks, although their effectiveness improved more recently. Risk mitigating measures include corroboration of source of wealth and understanding of economic substance, restriction of the risk appetite in relation to aggressive tax avoidance practices or, in the case of TCSPs, overseeing the activities of legal persons and arrangements by actively participating in their daily operations. There is, however, uneven criteria for identifying complex structures and implementation of risk mitigating measures in this regard between REs.

28. CDD and record-keeping obligations are generally well understood, including the identification of BOs, although not all REs understand fully the concept of control through other means. Third-party reliance has been declining in the banking, TCSP and Fund Services Businesses (FSB) sectors. Certain weaknesses were identified in relation to holding up-to-date SOF/SOW information on existing customers (“legacy” customers). The use of CDD exemptions to not identify underlying customers appears to be declining overall, but some REs still using them do not always consider sufficient information when assessing risks to ensure that exemptions are only applied in low-risk situations.

29. Specific EDD measures are generally applied for PEPs, new technologies, wire transfers, TFS and higher risk countries, while the provision of correspondent banking services is very limited. However, most REs only apply all relevant EDD measures where there is an accumulation of ML/TF risks in respect of customers connected to foreign PEPs, as opposed to the PEP status being a sufficient trigger. There is also uneven understanding across all sectors of the concept of a close associate who is connected to a PEP either socially or professionally.

30. The number of ML-related SARs filed by banks and TCSPs is not fully commensurate with risks and the policies adopted by some REs do not always ensure prompt reporting. The majority of SARs relate to potential tax offences, but the reporting has been largely driven by information requests from tax authorities and customers participating in tax amnesties or self-identifying tax evasion rather than proactive identification of suspicious activity. There is considerable room for improvement for systems and processes employed for the identification and reporting of suspicious transactions. The quality of SARs has been improving lately due to proactive FIU feedback and JFSC supervision. The prohibition on tipping-off is well understood and communicated to staff.

31. REs have generally adequate corporate governance arrangements and internal policies and controls in place, although comprehensive AML/CFT programs for some DNFBPs are quite recent. Division of responsibilities between the lines of defence, oversight by senior management, quality assurance processes and compliance incentives are frequently inspired by group practices and have been found as sound. However, the availability of qualified resources in compliance functions was identified as a serious challenge.

#### *Supervision (Chapter 6; IO.3; R.14, R.26–28, 34, 35)*

32. The controls to prevent criminals from entering the regulated market have been enhanced throughout the review period, with the recent introduction of criminality checks for VASPs and DNFBPs. Whilst currently all sectors are subject to fitness and propriety checks, the criminal background checks by the JFSC need to be further enhanced.

33. At the sectorial level, the JFSC demonstrates a good understanding of the ML risks with TF risk understanding developed to a lesser degree. At the institutional level, however, the risk understanding needs to be enhanced. The current risk assessment model used by the JFSC would benefit from enhancements to



further the understanding of institutional risks, especially in the key areas such as product/service, client and transactional activities risk.

34. The JFSC applies a risk-based approach to the supervision of FIs and DNFBPs, which has been revised throughout the assessed period, alongside the risk scoring model. The number of resources to assist with supervisory activities has also improved, and the JFSC staff has the skills and expertise necessary to undertake their functions. This has translated in an increase of the number of inspections from a low base in 2018. Supervision of TCSPs, in line with the risk profile of Jersey, is on the same level as that of FIs, if not more enhanced. The rest of the DNFBP sectors, with the exception of law firms, have, comparatively, been subject to a lower degree of supervision. Compliance of the VASP sector with the full range of AML/CFT obligations is yet to be supervised.

35. The scope of inspections appears to be detailed and comprehensive. Overall, there is a clear preference for thematic inspections when compared to other types such as full-scope or focused/targeted ones. While thematic inspections generally target areas which are in line with the risk profile of Jersey, this approach can mean that some AML/CFT compliance obligations remain unassessed by the JFSC for an extended period.

36. The JFSC's approach in relation to breaches detected through supervision greatly relies on remedial actions. While the actions taken contribute to entities addressing detected shortcomings, there is a significant degree of flexibility given to the entity to propose remedial actions and timeframes. The JFSC has created a heightened risk response team (HRR team) to monitor the effectiveness of remediation in cases deemed as high-risk, but these tasks are most commonly undertaken by independent reporting professionals, with less proactive oversight by the JFSC.

37. There is a broad range of administrative and criminal sanctions available, however, there have been very few administrative sanctions issued to FIs and TCSPs and even fewer to other DNFBPs and VASPs. Although there has been a recent increase in the use of financial sanctions, they have been applied only in instances where there have been severely aggravating circumstances. Less severe sanctions are prioritised over other available sanctions, including financial penalties. The overall sanctioning approach appears incommensurate to the risk profile of Jersey, the entities and sectors inspected, and the numbers and types of breaches detected.

38. Actions undertaken by the JFSC have resulted in some improvements in compliance, such as the time taken to remediate deficiencies being reduced, improvements in the quality of SARs or greater awareness and understanding of risks and AML/CFT obligations. This notwithstanding, there are still areas with room for improvement, as observed in IO.4, such as ongoing monitoring, identification of suspicions or application of CDD/EDD measures to legacy customers. The impact of supervisory actions on compliance is modest when observing that the number of breaches detected by supervisory actions has remained quite steady during the period reviewed.

39. The JFSC utilises a broad range of mechanisms to promote the understanding of ML/TF risks and obligations. A detailed AML/CFT controls implementation guidance is available, however, further sector specific guidance aimed at assisting obliged entities to identify suspicious activities would be helpful for the private sector. In addition, some DNFBPs, such as casinos and VASPs, would benefit from sector specific AML/CFT controls implementation guidance. The training and outreach themes need to be better tailored to sectorial and individual risks.

*Transparency and beneficial ownership (Chapter 7; 10.5; R.24, 25)*

40. Jersey authorities have demonstrated good risk understanding of the extent to which legal persons and arrangements can be misused for ML purposes, especially authorities more directly involved in their registration and supervision. Jersey conducted a detailed and comprehensive risk assessment exercise in 2023 concerning legal persons and arrangements. The risk assessment exercise could have further explored the methods and schemes through which risks could materialise through different types of legal persons and arrangements (“LPAs”), including through consideration of typologies of abuse by particularly complex corporate structures, and the inherent vulnerabilities of LPAs and their activities for TF purposes.

41. Jersey undertakes a multi-pronged approach to obtain accurate, adequate and up to date basic and BO information of legal persons in a timely manner. This is mainly achieved through a fully populated Central Registry, housed at the JFSC, with basic and BO information for legal persons and limited partnerships (and excluding incorporated associations, which are instead registered with the Royal Court). The Disclosure Law obliges legal persons to have a nominated person in Jersey and to submit the BO and significant persons (directors, partners, etc.) information to the Registry and update it within 21 days of a change. Basic information is publicly available, while BO information is only accessible to competent authorities, either on request or, in the case of the FIU, the Attorney General and Revenue Jersey, via direct access. These authorities have an obligation to notify any discrepancies to the Registry, of which there have been none so far. Authorities can also access BO information from REs in a timely manner (most notably banks and TCSPs).

42. Accuracy of the Registry information is mostly ensured through an annual confirmation statement and through the Registry Supervision function. The efforts of establishing a supervisory function to enhance accuracy of information held in the Registry and the number of inspections conducted so far is very commendable, although it still has room for improvement in light of the results attained so far.

43. Jersey has put in place several risk mitigating measures, including the comprehensive and thorough checks and vetting and risk assessment processes that the Central Registry conducts, especially, at the registration phase, but also on an ongoing basis. Other risk mitigating measures refer to the prohibition of bearer shares or the involvement of TCSPs in the creation, maintenance and operation of most legal persons and arrangements.

44. Trusts are by far the most material legal arrangements in Jersey (29,338 trusts, both Jersey and non-Jersey law are estimated to be administered in the jurisdiction). BO information of legal arrangements is collected, maintained, updated and made available to competent authorities almost exclusively by TCSPs (except cases where a trust is part of the ownership chain of a Jersey company, in which case there would also be information in the Registry). Therefore, there is an evident reliance on this sector as a gatekeeper, and as a source of risk mitigation and availability of information. Ascertaining the accuracy of that information is mostly done through supervision of the sector, but very few shortcomings related to BO information obligations towards legal arrangements have been uncovered so far, and the coverage of trusts by supervisory actions is below the full population of trusts operating in the island.

45. For legal persons, the authorities have established and used a progressive scale of sanctioning powers ranging from the use of increasing late fees through the strike off and ultimately criminal prosecution (which has been introduced relatively recently) and have mostly been imposed in cases related to the appointment of a nominated person or submitting the annual confirmation statement. No sanctions have been applied for

serious cases of provision of false or misleading BO information and a very limited number of sanctions concerning updating BO information to the Registry within 21 days of a change.

### *International cooperation (Chapter 8; IO.2; R.36–40)*

46. Jersey has a proactive approach and multifaceted engagement in international cooperation. The jurisdiction has consistently demonstrated a strong commitment to facilitating international cooperation in relation to AML/CFT and predicate offences, particularly when it comes to providing formal and informal cooperation.

47. Jersey demonstrates commendable efficiency and timeliness in addressing MLA and extradition requests. However, some internal delays in processing MLA requests have occurred, particularly in the earlier years of the review period. Simplified extradition measures result in rapid proceedings. Jersey has successfully extradited its own nationals, displaying a strong commitment to international legal cooperation. Similarly, efforts to seek legal assistance has intensified, including the extradition of persons to Jersey, to pursue domestic ML. Competent authorities also frequently seek informal cooperation, and, for this purpose, engage the FIU and its channels of communication. This approach has impacted the FIU's ability to focus on its own core operations. The FIU, commendably, regularly shares information with other FIUs.

48. Jersey authorities consistently and proactively share BO information related to legal entities and arrangements with foreign authorities. The process of sharing this information has been notably smooth, without significant practical obstacles.

### **Priority Actions**

- a) Competent authorities should continue to prioritise investigations related to the large-scale ML cases involving funds deriving from high-risk predicates committed abroad (tax crimes, corruption, fraud, etc.), including cases with complex legal structures, in order to secure more prosecutions in such cases. Continuous efforts in ensuring necessary well-trained human resources of investigators/forensic accountants and LEAs are needed, as well as ensuring that all sources of information available are harvested to identify, investigate and prosecute ML more in line with country risks.
- b) Jersey should enhance its efforts to increase the seizure and confiscation for ML offences only, and from tax offences committed abroad. Relevant authorities should receive continuous training to maintain routinely ordering the confiscation of assets previously seized during the course of a criminal investigation.
- c) Authorities should increase the use of FIU analytical reports and other intelligence to initiate ML and predicate offences investigations, in parallel with continued implementation of the FIU's transformation programme and capacity-building plans.
- d) Jersey should ensure that the quality of FIU intelligence and the turn-around times for the FIU to disseminate intelligence continues to improve. This should include, among others, an increased propensity to seek and analyse information in SARs and from domestic and international sources, including FIUs, develop intelligence, and add value in its products.
- e) The FIU should continue with its efforts to produce strategic analysis products, ensuring these are risk-based and relevant to authorities and industry in Jersey.
- f) The JFSC should ensure that periodic reviews of high-risk customers (particularly legacy customers) always include the obtaining of documentary/corroborating evidence to ascertain

SOF/SOW (where evidence is lacking) and updating beneficial ownership information (except where TCSPs are providing management services).

- g) The JFSC should ensure that REs assess the risks appropriately and apply the exemptions available for customers/investors of TCSPs and unregulated or non-public funds only where risks are low.
- h) Jersey should further enhance criminal background checks for new applicants and the existing licensees whenever there is a change of control, shareholding or key function to better prevent criminals or their associates from operating in the regulated market.
- i) The application of the sanctioning regime should be revised (in particular the guidance criteria to determine the severity of the sanction) so as to ensure that, in cases of serious breaches, the imposition of a wider range of severe and proportionate penalties, including pecuniary sanctions is prioritised.
- j) The JFSC and the Registry supervision functions should continue to review and refine the scope of their supervisory activities in relation to legal persons and arrangements with a view to detecting more serious breaches, such as cases of BO concealment.
- k) Jersey should fully implement risk-based supervisory oversight measures for the non-profit sector.
- l) Jersey should strengthen TFS supervisory approach. This should include applying higher scrutiny to TFS supervision especially on-site examination checks and increasing the capability of the obliged entities to identify close associations and indirect links to sanctioned persons to better prevent sanctions evasion risks.
- m) Jersey should analyse in more depth the appropriateness of SAR/STR reporting by FIs, DNFBPs and VASPs on TF suspicion and issue relevant guidance or provide training to increase the awareness and further increase the capabilities and capacities of competent agencies to identify, prevent and combat the more recent trends and methods of TF, in particular the FIU.

## Effectiveness & Technical Compliance Ratings

### Effectiveness Ratings<sup>1</sup>

<b>IO.1 – Risk, policy and coordination</b>	<b>IO.2 – International cooperation</b>	<b>IO.3 – Supervision</b>	<b>IO.4 – Preventive measures</b>	<b>IO.5 – Legal persons and arrangements</b>	<b>IO.6 – Financial intelligence</b>
HE	SE	ME	ME	SE	ME
<b>IO.7 – ML investigation &amp; prosecution</b>	<b>IO.8 – Confiscation</b>	<b>IO.9 – TF investigation &amp; prosecution</b>	<b>IO.10 – TF preventive measures &amp; financial sanctions</b>	<b>IO.11 – PF financial sanctions</b>	
ME	SE	SE	SE	SE	

<sup>1</sup> Effectiveness ratings can be either a High - HE, Substantial - SE, Moderate- ME, or Low - LE, level of effectiveness.


*Technical Compliance Ratings<sup>2</sup>*

R.1 - assessing risk & applying risk-based approach	R.2 - national cooperation and coordination	R.3 - money laundering offence	R.4 - confiscation & provisional measures	R.5 - terrorist financing offence	R.6 - targeted financial sanctions – terrorism & terrorist financing
C	C	LC	C	C	LC
R.7- targeted financial sanctions - proliferation	R.8 -non-profit organisations	R.9 – financial institution secrecy laws	R.10 – Customer due diligence	R.11 – Record keeping	R.12 – Politically exposed persons
LC	C	C	LC	C	LC
R.13 – Correspondent banking	R.14 – Money or value transfer services	R.15 – New technologies	R.16 – Wire transfers	R.17 – Reliance on third parties	R.18 – Internal controls and foreign branches and subsidiaries
C	LC	LC	LC	LC	PC
R.19 – Higher-risk countries	R.20 – Reporting of suspicious transactions	R.21 – Tipping-off and confidentiality	R.22 – DNFBPs: Customer due diligence	R.23 – DNFBPs: Other measures	R.24 – Transparency & BO of legal persons
C	C	C	LC	LC	LC
R.25 - Transparency & BO of legal arrangements	R.26 – Regulation and supervision of financial institutions	R.27 – Powers of supervision	R.28 – Regulation and supervision of DNFBPs	R.29 – Financial intelligence units	R.30 – Responsibilities of law enforcement and investigative authorities
LC	LC	C	LC	LC	C
R.31 – Powers of law enforcement and investigative authorities	R.32 – Cash couriers	R.33 - Statistics	R.34 – Guidance and feedback	R.35 - Sanctions	R.36 – International instruments
C	C	C	C	C	C
R.37 – Mutual legal assistance	R.38 – Mutual legal assistance: freezing and confiscation	R.39 – Extradition	R.40 – Other forms of international cooperation		
C	C	C	C		

<sup>2</sup> Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non-compliant.



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