



Bailiwick of Jersey

Update on Terrorist Financing National Risk Assessment

COMBATting FINANCIAL CRIME **TOGETHER**

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Foreword

Jersey is committed to combatting financial crime and upholding international standards. Financial Action Task Force Recommendation 1 calls on jurisdictions to identify, assess and understand the Money Laundering and Terrorist Financing risks they face and to act to mitigate those risks effectively.

In April 2021, Jersey published its first National Risk Assessment of Terrorist Financing, which assessed our exposure to terrorist financing risk as Medium-Low. The 2021 Terrorist Financing Risk Assessment identified a number of actions, which sought to improve our understanding and practices so as to prevent and/or mitigate the main risks identified. This update report sets out how the implementation of several measures identified in the 2021 TF NRA has helped strengthen mitigations in multiple areas. However, it is important to note that there is still insufficient evidence to support a reduction of risk overall.

As an International Finance Centre, it is inevitable that we have some exposure to Terrorist Financing risk. The nature of the Terrorist Financing risk is constantly evolving, bringing with it new challenges. This report, therefore, also identifies areas where additional focus and action is required to strengthen further our controls and understanding, in an endeavour to counter potential risks satisfactorily.

I thank everyone who has contributed to creating this report, including representatives from the Government of Jersey; Jersey Financial Services Commission; Law Officers' Department; States of Jersey Police; Jersey Customs & Immigration Service; Jersey Overseas Aid Commission; the Office of the Jersey Charity Commissioner and industry representatives.



Deputy Elaine Miller

Assistant Chief Minister with responsibility
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SECTION 1

Introduction

- 1.1 Jersey published its first Terrorist Financing (**TF**) National Risk Assessment (**NRA**) in April 2021 (the [2021 TF NRA](#)).
- 1.2 The 2021 TF NRA considered data which was available in respect of the period 2017 to 2019. There were several ‘unknown unknowns’, where insufficient information was available to adequately assess the risks. These unknowns were considered as part of the risk rating and based on a conservative assessment therefore, Jersey’s exposure to TF risk was assessed as Medium-Low. The focus of this risk assessment has therefore been to bring more clarity on the basis of these unknown areas.
- 1.3 The 2021 TF NRA identified actions in the following broad categories:
 - 1.3.1 Improve and develop understanding of risks.
 - 1.3.2 Test and strengthen existing controls.
 - 1.3.3 Build countering TF (**CFT**) capacity.
 - 1.3.4 Strengthen connections with internal and external stakeholders.
- 1.4 This report summarises the actions Jersey has taken in respect of these categories and reassesses Jersey’s exposure to TF risk, based on additional information which was obtained to address the data gaps and recommended actions identified in the 2021 TF NRA. It also identifies opportunities to further strengthen our controls and understanding, in an endeavour to counter potential TF risks satisfactorily. In addition, data for 2020 and 2021 was compared against the data considered for purposes of the 2021 TF NRA.
- 1.5 The 2021 TF NRA (which was based on the World Bank NRA tool augmented by the “Monaco (MONEYVAL)” guidance referenced in the Financial Action Task Force’s (**FATF**) July 2019 TF Risk Assessment Guidance document) forms the foundation for, and should be read in conjunction with, this report. The “Monaco (MONEYVAL) guidance” was a specific set of guidance developed by small nations and International Finance Centres (**IFCs**) which looks to specifically take into account TF risk factors which may be unique to those jurisdictions.
- 1.6 For the purposes of this report, “Target Jurisdictions” refers to 21 jurisdictions where:
 - 1.6.1 there are indications of individuals in, or from, that jurisdiction being at a heightened risk of being involved in financing terrorism;
 - 1.6.2 there is active terrorism or TF threats, either because there are areas of conflict within their borders or because sections of the population are actively targeted by terrorist organisations/cells for support and cover;
 - 1.6.3 there are strong geographical or other links to countries that have an active terrorism or TF threat; and/or

- 1.6.4 there is a secondary terrorism or TF threat, i.e. where there may not be an active terrorism or TF threat but where there is a heightened threat of crimes whose proceeds are typically used by organised criminal groups to finance terrorism (e.g. corruption, drug trafficking, hijacking or kidnapping, benefit fraud, environmental crimes such as illegal logging and ivory dealing, human trafficking and modern slavery).

SECTION 2

Threats and Vulnerabilities

- 2.1 The assessment work supporting this report considered data for 2020 and 2021, utilising methodology similar to that employed for the 2021 TF NRA. The data was compared with prior years data for trend analysis purposes.
- 2.2 Our data analysis for this period confirms that there has been no material change to the nature of TF threats and vulnerabilities identified in the 2021 TF NRA. Jersey, in its capacity as an IFC remains most exposed to the TF elements of moving and storing funds.
- 2.3 The working group, established under the National Combatting Financial Crime Structure, has considered data regarding the direction of fund flows and the reported residence of beneficial owners and controllers of the Supervised Persons of the Jersey Financial Services Commission (**JFSC**). There has been growth in some Supervised Persons, beneficial owners and controllers with connections to two countries in the Near/Middle East region. One country considered was not a Target Jurisdiction, however, due to its geographical proximity to a Target Jurisdiction, the trend warranted additional enquiry. Further enquiry identified the increasing trend was a result of a targeted growth strategy and aligned with the allocated risk appetite in that region.
- 2.4 In terms of threats and vulnerabilities more generally, they remain the same in Jersey as those outlined in the 2021 TF NRA, based on the same objective threat data used for the 2021 TF NRA. However, it is worth noting that, internationally, the COVID-19 pandemic increased the global risk of terrorists using cryptocurrency (seeking to raise funds via cryptocurrency wallet addresses) and other fraudulent practices including the sale of protective equipment.¹ This demonstrates the importance of remaining vigilant, including concerning new technologies and what may appear as ordinary products and services.
- 2.5 The Joint Financial Crimes Unit and the Jersey Financial Intelligence Unit (**Jersey FIU**) published another [Typologies Booklet](#) in January 2023. This includes two hypothetical case studies highlighting how TF could occur in Jersey and setting out examples of red flags.
- 2.6 The recent examples below support why it is important to remain vigilant to the threat of TF:
- 2.6.1 In 2021, the FATF published a report on [Ethnically or Racially Motivated Terrorism Financing](#). While Jersey has not identified ethnically or racially motivated terrorist financing, violent activity or financial support associated with Extreme Right Wing individuals and groups, given the rising threat from these groups and the potential for Jersey to have some unseen exposure in respect of growing evidence of cross-border links, Jersey's National

¹ The Twelfth report of the Secretary-General on the threat posed by ISIL (Da'esh) to international peace and security and the range of United Nations efforts in support of Member States in countering the threat.

Agencies should monitor this threat more closely.

- 2.6.2 In February 2023, the FATF issued a report on [Money Laundering and Terrorist Financing in the Art and Antiquities Market](#). Included therein are important case studies. Jersey is vulnerable to, indirectly and/or directly, funding of criminals (e.g. thieves, traffickers, serious organised crime groups and terrorists) and/or to organisational structure abuse. This highlights the importance of strong counter measures such as undertaking careful and robust due diligence. It is also of note that there are sanctions regimes that focus on cultural heritage protection (e.g. Syria and Iraq) and other legislative and customs controls on the movement of such goods in Jersey. Cultural property is a financial resource that is abused by terrorists and terrorist organisations. It is also a relevant asset for asset-freezes.²
- 2.6.3 In March 2023, a rise in dissident republican activity, led the UK to raise the terrorism threat level from Substantial to Severe.³ The FATF has highlighted that proximity to terrorist actors may impact on funds/assets being abused for terrorist activities, directly or indirectly.

² See also the December 2022 [EU Action Plan](#) against Trafficking in Cultural Goods.

³ [Northern Ireland-related Terrorism threat level raised - GOV.UK \(www.gov.uk\)](#)

SECTION 3

Improving and developing understanding of risks

- 3.1 Section 5 of the 2021 TF NRA sets out the key factors supporting the initial risk assessment and several recommended actions. This section, in conjunction with sections 4, 5 and 6 below, provides an update to those recommendations.

Non-Profit Organisations (NPOs)

- 3.2 The 2021 TF NRA recommended that *“a proper NPO risk assessment should be undertaken and a regulatory framework implemented which includes focused and proportionate measures for regulation, registration and supervision of those NPOs that are identified as being vulnerable to TF abuse.”*
- 3.3 A NRA relating to NPOs was undertaken in 2021 and 2022 ([2022 NPO NRA](#)) and was published in April 2022.
- 3.4 Following publication of the 2022 NPO NRA, the regulatory framework for NPOs was amended ensuring that all types of NPOs, including those receiving prescribed services from Trust Company Services Providers (**TCSP**), are required to register with the JFSC. Legal gateways have been extended for information sharing purposes and a Memorandum of Understanding (**MoU**) has been signed between the Office of the Jersey Charity Commissioner and the JFSC.
- 3.5 A new supervisory regime was launched on 1 January 2023 for NPOs that are at a heightened risk of TF abuse (**Prescribed NPOs**). To support the new regime the JFSC has employed a dedicated NPO Supervisor. Since the new supervisory regime was implemented, significant outreach and engagement continued with the non-profit sector, to further increase the understanding of the sector’s risk exposure beyond that known when the 2022 NPO NRA was published, reducing the sector’s overall risk exposure.
- 3.6 A further breakdown of the NPO risk work undertaken is available at **Appendix A**.

Virtual Assets (VA) and Virtual Asset Service Providers (VASPs)

- 3.7 The 2021 TF NRA recommended that *“a risk assessment should be undertaken in relation to: new products; new business practices; as well as the use of new or developing technologies and a regulatory framework implemented for Virtual Asset Service Providers”*.
- 3.8 It also recommended *“Greater understanding of the TF threats posed by Fintech, virtual and crypto currencies should be developed and an appropriate regulatory framework introduced”*.

- 3.9 Although Virtual Currency Exchange Businesses (**VCEB**) have fallen within the Anti-Money Laundering (**AML**)/CFT/Countering Proliferation Financing (**CPF**) regime since 2016, this is a small part of the VA/VASP sector. In January 2023, to bring Jersey in line with international standards, amendments were made to the legislative regulatory framework which implement the FATF definition of VASPs. Since 30 January 2023, any persons meeting the FATF definition of a VASP is; (i) required to implement preventative measures as established by the Money Laundering (Jersey) (Order) 2008, and (ii) required to register with the JFSC, making them subject to compliance supervision. The transitional period for this legislative amendment expires on 30 June 2023.
- 3.10 The 2022 [VASP Risk Overview](#) was undertaken in 2022, providing a general overview of risks to the sector, before the time when formal registration was required under the regime. It is intended that the risk overview is further updated post the conclusion of registration (which is anticipated to be mid-2023), with a report containing formal data on the sector.
- 3.11 A further breakdown of the work undertaken is available at **Appendix B**.

Beneficial owners and controllers

- 3.12 The 2021 TF NRA recommended that *“Beneficial ownership information on legal persons and legal arrangement administered in Jersey should be made available to a group comprising relevant competent authorities such that further work can be undertaken to fully identify and assess the prevalence of individuals from target jurisdictions who are the UBO’s, or linked to the UBO’s, of legal persons or legal arrangements (including NPOs) administered in Jersey”*.
- 3.13 In addition to addressing the recommendation further consideration has been given to the reported residency of the beneficial owners and controllers of the customers of the financial services businesses. They were reported from 224 jurisdictions, including all the 21 Target Jurisdictions. This position remains largely unchanged, however, customers are now reported from 227 jurisdictions.
- 3.14 Consideration of the reported data again highlights the strong connection between Jersey, the UK and the other Crown Dependencies.⁴ There is no substantial change (with approx. 63% of the customers being from one of these four jurisdictions).
- 3.15 The proportion reported for Target Jurisdictions remains very low (approx. 1.6% of the total number of reported beneficial owners and controllers).
- 3.16 The data shows that 0.26% of beneficial owners and controllers are Foreign Politically Exposed Persons (**PEPs**) who are associated with the Target Jurisdictions. This remains most significant in the TCSP sector where 1.1% of all customers have connections to PEPs from Target Jurisdictions. Given the number of customers in the TCSP sector, this is noteworthy and these relationships should be monitored closely.

Cross-border physical movement of cash

- 3.17 Jersey continues to operate a disclosure system on request.
- 3.18 JCIS conducted a Cross Border Cash Risk Testing Exercise in May 2022. The operation was conducted by JCIS Border Offices supported by both U.K. Border

Force/SOJP Cash Detector Dog Teams, focusing on outbound checks at Elizabeth Terminal and Jersey Airport.

- 3.19 During the course of the operation 271 foot passengers and 132 Vehicles were stopped and questioned by Officers and 50 Detector Dog Searches were conducted. The total sum of £22,270, €8,600 and USD\$6,500 was detected/ disclosed to Officers of which £14,050 was seized.

Elizabeth Terminal	
Ferries attended by officers	15
Foot passengers	63
Vehicles	132
Vehicle dog searches	6
Dog search all foot passengers	1
Total cash detected / disclosed	£6,000
	€6,100
Total seized	0

Jersey Airport	
Flights attended by officers	78
Passengers	208
Dog search flights (all passengers)	19
Dog search flights (all checked-in baggage)	24
Total cash detected / disclosed	£16,270
	€2,500
	USD\$6,500
Total seized	£14,050

- 3.20 In the last 20 years there has been no notable seizures of cash being brought into the Island by arriving travellers.
- 3.21 For the two years ended 31 December 2021 over GBP2.2 million in Jersey notes was repatriated to the Island's Treasury from the UK. Jersey bank notes are not legal tender in the UK and must be exchanged for UK bank notes. Some banks repatriate funds from their UK branch to their Jersey branch which may not be reflected within the Jersey Treasury figures. There is no data on funds repatriated from Europe or further afield to the UK and on to Jersey.

3.22 There has been nothing to suggest any link between Jersey and the use of cash for TF purposes. Data available suggests that most cash taken out of Jersey is legitimate and, where illicit, is likely to be linked to drug-trafficking. However, there are gaps in information available, to assess the amount of cash returned against the quantum of cash in circulation. Without this information, cross border cash movement represents a vulnerability, as such, proactive work is ongoing in this area.

Funds flows to and from higher-risk target jurisdictions for TF purposes

3.23 The 2021 TF NRA recommended that *“Additional research to be conducted in relation to funds flowing to and from the jurisdiction. Information may include the purpose of the transfers and period of time the funds remain in the jurisdiction. This is especially desirable in the case of target jurisdictions in support of a risk-based approach”*.

3.24 The funds flowing to and from the Target Jurisdictions for TF purposes were analysed and considered in order to understand more about the purpose of the transfers and consequently Jersey’s TF threat. This involved engaging with the Jersey Bankers Association, and the Banks and Money Services Businesses (**MSB**) who were identified as having transacted with the Target Jurisdictions in 2021. In addition, prepaid card data was considered.

3.25 To assist with this work, the Government of Jersey (**GOJ**) worked with the JFSC to collect additional 2021 data from some banks and MSBs and commissioned a third-party consultant to analyse the data provided. This analysis showed that:

3.25.1 18 Banks and three⁵ MSBs in Jersey engaged in financial transactions with 15 Target Jurisdictions and the additional jurisdiction referenced in paragraph 2.3 above.

3.25.2 The **most cited** rationales for the banking transactions included: loans, investments, salary payments, personal account transfers, invoice settlements for goods and services, fee payments, family and friend payments, property purchases, health and medical payments, donations, payments for energy and oil, amongst others.

3.25.3 The MSB transactions included: family and friends remittance services, dividends to shareholders, salary and invoice payments.

3.25.4 Over 65% of the banking transactions, and over 70% of the MSB transactions, were directed towards three Target Jurisdictions.

3.25.5 No fund flows to, or from, the following jurisdictions were reported: Libya, the Democratic People's Republic of Korea (DPRK), Somalia, South Sudan, Sudan and Syria.

3.25.6 Overall, the exercise provided valuable insights into the nature of financial transactions in the jurisdiction and will be used to inform future efforts to mitigate the risks of TF.

Foreign direct investments

- 3.26 The 2021 TF NRA recommended that *“More information is required to assess the threat posed as insufficient information was available to the team to assess ultimately where foreign direct investment has come from or where it is going. The available data led the assessment team to suspect that it is likely that invested funds to have arrived from entrepôts and are to be ‘on invested’”*.
- 3.27 The GOJ has engaged an independent consulting firm to analyse the global distribution of ultimate origin and destination of assets, based on the [Jersey’s Contribution to Global Value Chains](#) report commissioned by Jersey Finance in 2021, and reports commissioned by Jersey Finance in 2013 and 2016 on Jersey’s Value to Britain.
- 3.28 This analysis is ongoing, with a final report anticipated in Q2 2023, however, at the time of writing, the consulting firm had mapped the ultimate origin and destination of assets against those countries, territories and areas identified as presenting a higher risk of TF in Appendix D2⁶ of the JFSC’s Handbook for the prevention and detection of money laundering, the countering of terrorist financing and the countering of proliferation financing (**the AML/CFT/CPF Handbook**).
- 3.29 The information confirms that over 60% of assets in Jersey are ultimately coming from/going to the UK.

Prepaid card usage

- 3.30 An analysis of prepaid card usage was undertaken for the period. Services were provided by two service providers.⁷
- 3.31 It is worth reflecting on the possible impact of the COVID-19 pandemic in terms of customer behaviour. In 2019 and 2020 Portugal, UK and Spain have been the top three jurisdictions for cash withdrawals using prepaid cards. However, in 2021 the UK maintained the top spot (85% of all transactions, 97% of total value), and the Netherlands climbed from its 9th position in 2019 to the second most used jurisdiction for cash withdrawals using prepaid cards in 2021. The country and value data is similar for cash withdrawals from ATMs using prepaid cards. In 2020/21, during the COVID19 pandemic, there was an overall increase in usage of prepaid cards.
- 3.32 Overall transactions conducted using prepaid cards in the Target Jurisdictions remained low. By volume 0.2% of transactions, and by value 1.0% of transactions during this period were in Target Jurisdictions. This includes both ATM withdrawals and goods and services transactions.

⁶ Countries, territories and areas identified by reliable third parties as presenting higher TF risk are referenced in Appendix D2 of the JFSC’s AML/CFT/CPF Handbook. It is important to note that Appendix D2 contains a large array of jurisdictions impacted by different risk factors based on the sources taken into account in Appendix D2. The JFSC updates Appendix D2 at least three times a year to reflect international information, including statements by the FATF regarding high risk and other monitored jurisdictions. The Appendix D2 list is more expansive than the 21 Target Jurisdictions.

⁷ We have excluded from our analysis the prepaid cards that the GOJ issued during the pandemic to support Islanders’ finances.

SECTION 4

Testing and strengthening controls

Compliance with preventative measures relating to TF and sanctions

- 4.1 The 2021 TF NRA recommended that the JFSC provides “*information and data regarding compliance with the TF preventative measures including how effectively the financial services industry monitor their relationships with regard to the UN Security Council Resolutions relating to targeted TF*”.
- 4.2 Supervision related to targeted financial sanctions (**TFS**) and compliance with TF preventative measures is focused on the application of systems and controls as required under the [Money Laundering \(Jersey\) Order 2008](#) and the AML/CFT/CPF Handbook Codes of Practice.
- 4.3 Supervised Persons must have policies and procedures in place that ensure compliance with preventative measures relating to TF and TF-related TFS and include reference to up-to-date and relevant legislation and statutory requirements such as [Sanctions and Asset-Freezing \(Jersey\) Law 2019](#); have screening arrangements in place which are reviewed regularly; identify how and to whom potential TF and TF-related TFS breaches are reported (internal and external). Additionally, Business Risk Assessments must give consideration and assessment of TF and TF-related TFS risks and any controls put in place to mitigate these; training of employees regarding TF and TF-related TFS compliance/adherence is provided to all relevant employees; monitoring and testing is carried out to ensure compliance with TF and TF-related TFS measures and that results are reported to the Board/Senior Management team.
- 4.4 Between 2020 and 2021 the JFSC undertook 140 examinations which covered the testing of Supervised Persons’ AML, CFT and CPF systems and controls, inclusive of compliance of TF and TF-related TFS preventative measures. TF related findings represented 7% of the total findings. Key areas for improvement related to business risk assessments, the application of risk-based measures and internal controls and procedures. Findings relating to sanctions screening made up approx. 8% of the total findings. The fact that only a small proportion of the total findings related to TF/TF-related TFS evidences that of all those examined sufficient controls are in place. Importantly, of those examined in the period there were no findings identified which showed that a Supervised Person had been involved in TF.
- 4.5 All examination findings required remediation by the Supervised Person. Remediation activity is overseen by the JFSC’s Supervision teams as part of day-to-day supervision activities.
- 4.6 To enhance awareness, the JFSC communicates findings, as well as examples of good practice in its findings reports, which are published regularly on the JFSC’s website after the examination cycle has ended.

SECTION 5

Building CFT capacity

- 5.1 The 2021 TF NRA recommended *“Additional work should be undertaken to further develop CFT capacity across both the public sector and the private sector. In addition, the skills base across the public sector to investigate TF and supervise compliance with CFT requirements should be significantly improved”*.
- 5.2 Jersey refreshed its [National Strategy for Combatting Financial Crime](#) in September 2022. The strategy includes CFT measures.
- 5.3 Continued work is being undertaken by the national Policy working group for TFS, proliferation financing, and TF, where the following national agencies are represented: GOJ, Ministry for External Relations, JFSC, the Law Officers’ Department, States of Jersey Police, Jersey Customs and Immigration Service, Jersey Overseas Aid Commission, and the Office of the Jersey Charity Commissioner.
- 5.4 Jersey also established a specific TF Operational Working Group focusing on CFT and its related TFS which the following agencies participate in: GOJ, Ministry for External Relations, JFSC, the Law Officers’ Department, States of Jersey Police – Counter Terrorism Policing Unit (**CTPU**), Jersey Customs and Immigration Service, and the Ports of Jersey.
- 5.5 Representatives from the competent authorities have undergone training from the UK’s National Terrorist Financial Investigation Unit (**NTFIU**). JFSC staff undertake regular countering financial crime training. Representatives from the competent authorities have also participated in training from FATF’s Academy courses. Outreach and engagement events have also been held for both the private and public sector such as the Financial Sanctions Conference held on 23 Feb 2023, which explored TF, Proliferation Financing, and Financial Sanctions typologies and best practices.
- 5.6 The GOJ’s and the JFSC’s websites have been updated regarding combating financial crime, including TF, [Financial crime \(gov.je\)](#) [Financial crime \(jerseyfsc.org\)](#) and [NPOs](#).
- 5.7 The GOJ has also incorporated a monthly event calendar where TF and TF-related TFS have been included on numerous occasions to raise industry awareness.
- 5.8 A [typologies booklet](#), has been published by the States of Jersey Police.

SECTION 6

Strengthening connections with internal and external stakeholders

- 6.1 The 2021 TF NRA recommended *“Work should be undertaken to more fully understand how the Island interacts with the UK authorities in relation to TF. As a Crown Dependency, Jersey relies to some extent on the UK for assistance in relation to the investigation of terrorism related offences. The NRA Working Group queried whether the risk profile, and therefore the focus of the UK’s TF assessment, was the same as that of Jersey. It was not clear to the NRA working group how the UK assistance is provided and to what extent”*.
- 6.2 The national Combating Financial Crime Together framework and national strategy ensures close collaborations, coordination and information sharing domestically. For example, the working groups mentioned under section 5.3 and 5.4 above.
- 6.3 Jersey FIU has a separate direct connection to the NTFIU, forming part of the Metropolitan Police Special branch structure with remit for TF investigation across England and Wales, and the UK FIU, part of the National Crime Agency.
- 6.4 Jersey FIU routinely passes any TF-related Suspicious Activity Reports (SAR) to the CTPU, the NTFIU and UK FIU, and continues to disseminate intelligence to its Egmont Group partners.
- 6.5 Jersey FIU also passes any details of every new natural person (referred to as a “nominal”) and company added to the FIU IT databases to the CTPU department for any additional intelligence held by UK intelligence agencies. This occurs as a matter of routine, whether or not there is a suspicion of TF.

SECTION 7

Overall risk rating and proposed actions

Risk rating

- 7.1 It is evident that significant progress has been made in understanding the risks associated with TF since the conclusions of the 2021 TF NRA was published. The implementation of several measures identified in the 2021 TF NRA has helped strengthen mitigations in multiple areas. However, it is important to note that there is still insufficient evidence to support a reduction of risk overall. As such, the overall risk of Jersey being used as a conduit for TF remains **medium-low**.
- 7.2 This is primarily driven by the following factors:
- 7.2.1 Jersey sends money to and receives money from 15 Target Jurisdictions and the TCSP sector has a significant number of TCSP customer relationships with PEPs in Target Jurisdictions;
 - 7.2.2 The VASP regime is not fully in place; and
 - 7.2.3 Evidence of monitoring by the JFSC of preventative measures should continue to be improved.
- 7.3 However, as we move forward, the ongoing improvements are expected to contribute to a reduction in risks. The detailed findings of this NRA should be carefully considered to inform further mitigations.

Future proposed actions

- 7.4 There are a number of areas where the NRA working group would have liked greater or additional data and information to inform their assessment of TF threat and vulnerability.
- 7.5 Jersey would benefit from the following actions:
- 7.5.1 Engage closely with industry to jointly put in place a uniformed reporting standard of payment categories for centralised funds flow reporting.
 - 7.5.2 Formalise the counter terrorism/TF arrangements between UK and Jersey (this could be achieved by signing a MoU, or equivalent, with the UK).
 - 7.5.3 Although substantial outreach and engagement has been extended, it is acknowledged that CFT skills and CFT capacity must continually be evolving to effectively meet with the threat. Therefore, continued training and outreach is needed across the public and private sectors.

- 7.5.4 JFSC should continue to monitor the usage of prepaid cards.
- 7.5.5 Closely monitor the report on Foreign Direct Investment and identify/ implement any resulting actions.
- 7.5.6 Undertake a detailed further risk assessment in respect of the VA/VASP sector, once the current registration deadline has passed.
- 7.5.7 Undertake a detailed NRA in respect of Legal Persons and Arrangements, to better understand the extent to which assets held by, and activities undertaken by domestic legal persons and legal arrangements in Jersey are located in Target Jurisdictions or linked to such jurisdictions.
- 7.5.8 Task the TF Operational Working Group with identifying which countries, territories and areas which present higher TF risk to Jersey and include this as an additional source in Appendix D2 of the JFSC's AML/CFT/CPF Handbook.
- 7.5.9 Consider conducting an analysis to understand more about the ethnically or racially motivated terrorist financing threats posed to Jersey and undertake relevant outreach in this regard.
- 7.5.10 Consider conducting an analysis to understand more about the risks associated with the arts and antiques markets.

Conclusion

- 7.6 Jersey, in its capacity as an IFC, must remain vigilant. It is imperative that we continue to monitor and assess the TF risks in order to identify and address any potential areas of concern.
- 7.7 National agencies are encouraged to continue to strengthen connections with internal and external stakeholders and Industry is encouraged to consult Appendix D2 of the AML/CFT/CPF Handbook regularly, especially when considering new business relationships, in order to understand the risks better.
- 7.8 By doing so, we can work towards mitigating the risks identified and promoting a safer and more secure financial environment.

SECTION 8

Summary of Actions Taken

Improve and further develop our understanding of risk

Risk identified	Action taken	Reference to Relevant Section
<p>NPOs in Jersey may be vulnerable to abuse or misuse of TF.</p>	<p>Conducted 2022 NPO NRA (published in April 2022).⁸ Risk-rating for the non-profit sector was Medium-Low, identifying additional actions to reduce risk further (most of which have been subsequently implemented).</p>	<p>Para 3.2 – Para 3.6</p>
	<p>The regulatory framework for NPOs was amended and implemented, focusing on proportionate measures for regulation, registration and supervision of Prescribed NPOs, seeking to avoid unintended consequences.</p>	
<p>VASPs in Jersey may be vulnerable to abuse or misuse of TF.</p>	<p>On 22 May 2022 the GOJ published its first VASP Risk Overview.</p>	<p>Para 3.7 – Para 3.11</p>
	<p>The regulatory framework was altered removing a prior notification only exemption for VCEBs, and requiring all VA and VASPs to register with the JFSC, falling under the AML/CFT/CPF regime.</p>	
	<p>Supervisory risk data collection is underway for the VA/VASP sector, including newly registered businesses.</p>	
	<p>Positive steps are being undertaken through market entry controls and supervisory engagement to identify, assess, and understand the money laundering, TF and proliferation financing risks.</p>	

⁸ The 2022 NPO NRA was based on a bespoke methodology (i.e. did not apply the World Bank methodology augmented by the "Monaco (MONEYVAL)" guidance.

Address information and data gaps

Risk identified	Action taken	Reference to Relevant Section
<p>The reason for the physical movement of cash was not understood, therefore there was a risk for TF abuse occurring.</p>	<p>During 2020 and 2021 the source of Jersey currency returned to the Island was investigated. It revealed no connection to the financing of terrorism.</p>	<p>Para 3.17 – Para 3.22</p>
<p>Wire transfer data - Jersey financial institutions, Designated Non-Financial Businesses and Professions and VASPs may be abused to fund terrorist activities abroad</p>	<p>Additional research was conducted with the assistance of a commissioned third-party consultant in relation to fund-flows (volume and value), and rationale for those amounts flowing to and from several higher-risk jurisdictions for TF.</p>	<p>Para 3.25</p>
<p>Investments - invested funds may have arrived from entrepôts and are to be ‘on invested’</p>	<p>External consultants have been engaged to address this threat. Initial findings confirm that most assets in Jersey are ultimately coming from/ going to the UK.</p> <p>From the initial data analysed, we are confident that the funds entering Jersey originate from jurisdictions with low-risk profiles.</p>	<p>Para 3.26 – Para 3.29</p>

Compliance with preventative measures

Risk identified	Action taken	Reference to Relevant Section
<p>The JFSC to be able to provide information and data regarding compliance with the TF preventative measures including how effectively the financial services industry monitor their relationships regarding the UN Security Council Resolutions relating to TF-related TFS.</p>	<p>Between 2020 and 2021 the JFSC undertook 140 examinations. The examinations covered the testing of Supervised Persons’ AML, CFT and CPF systems and controls, mapped against the requirements. For 2020 and 2021 approx. 7% of the findings were TF related and approx. 8% were sanctions screening related.</p>	<p>Para 4.1 – Para 4.6</p>

Improve countering CFT capacity and understanding

Risk identified	Action taken	Reference to Relevant Section
<p>Public sector improve capacity and understanding of the financing of terrorism risk.</p>	<p>Representatives from the competent authorities have undergone training from the NTFIU. JFSC staff undertake regular countering financial crime training. Representatives from the competent authorities have also participated in training from FATF's Academy courses.</p> <p>Clear communication channels between different agencies have been established to improve the identification and prevention of TF.</p>	<p>Para 5.5</p>
<p>Private sector improve capacity and understanding of the TF risk.</p>	<p>Work has been undertaken to further develop CFT capacity (improved website content, training events, effective delivery of stakeholder engagement campaigns). From 2021, to date, there has been a 20% increase in the number of subscribers to the Jersey Gazette's sanctions notices' page.</p>	<p>Para 5.6</p>
<p>To improve Island capacity and understanding, the finance industry would benefit from having access to a more complete list of jurisdictions that are believed to present a greater risk of TF.</p>	<p>Enhanced mechanisms (red flag indicators) whereby industry is informed of the jurisdictions, territories and areas that are believed to present a greater risk of TF (Appendix D2 of the JFSC's AML/CFT/CPF Handbook).</p> <p>Continued publications of Sanctions by country and category.</p>	<p>Para 5.6</p>

Compliance with preventative measures

Risk identified	Action taken	Reference to Relevant Section
<p>Strengthen connections / relationships and build greater understanding of inter-relationships</p>	<p>Continued work is being undertaken by the national Policy working group for TFS, proliferation financing, and TF, where the following national agencies are represented: GOJ, Ministry for External Relations, JFSC, the Law Officers’ Department, States of Jersey Police, Jersey Customs and Immigration Service, Jersey Overseas Aid Commission, and the Office of the Office of the JerseyCharity Commissioner.</p> <p>A specific operational working group has been established, focusing on CFT and its related targeted financial sanctions which the following agencies participates in: GOJ, Ministry for External Relations, JFSC, the Law Officers’ Department, CTPU, Jersey Customs and Immigration Service, and the Ports of Jersey.</p> <p>Jersey FIU has a separate, direct connection to the and the UK FIU.</p>	<p>Para 5.3, 5.4, 6.2 and 6.5</p>

APPENDIX A

Non-profit sector

Background

The [Non-Profit Organizations \(Jersey\) Law 2008 \(NPO Law\)](#) came into force on 8 August 2008. It requires NPOs that fall within the scope of the FATF definition to register with the JFSC if established in Jersey or administered from within Jersey whether or not the NPO carries on any activity in Jersey. Upon registration NPOs provide the JFSC with information on their activity, purpose, objectives and estimated fund amounts. Once registered, NPOs must keep the JFSC up-to-date in terms of any registration changes.

To ensure that the Island complies fully with international standards additional focus was extended to the non-profit sector.

Amendments to the legislative and regulatory framework

The [Non-Profit Organizations \(Prescribed NPOs - Additional Obligations\) \(Jersey\) Order 2022 \(Prescribed NPO Order\)](#) was enacted on the 1 January 2023, identifying NPOs potentially at higher risk TF abuse (**Prescribed NPO**).

[Article 1](#) of the Prescribed NPO Order sets out that a NPO is classed as a Prescribed NPO if it raises and/or disburses more than £1,000 per annum outside of:

- Jersey,
- Guernsey,
- the Isle of Man,
- Scotland,
- England and Wales.

These jurisdictions are considered to be low risk as the domestic terrorism threat is either minimal or the NPO regime is recognised as being robust enough to identify TF abuse.

Prescribed NPOs are subject to additional obligations and supervision by the JFSC. The supervisory regime began on 1 January 2023.

A new Section 17 was introduced to the JFSC's AML/CFT/CPF Handbook, providing mandatory Codes of Practice requirements and non-mandatory Guidance to Prescribed NPOs.

Amendments were also made to the [Proceeds of Crime \(Supervisory Bodies\) \(Jersey\) Law 2008 \(the Supervisory Bodies Law\)](#) providing the JFSC with its supervisory function and its powers.

A previous notification only exemption for NPOs which received prescribed services from TCSPs was also removed under the [Non-Profit Organizations \(Miscellaneous Amendments\) \(Jersey\) Law 2022 \(NPO Amendment Law\)](#).

Enhanced gateways

The [NPO Amendment Law](#) also introduced more extended information gateways into the NPO Law.

A MoU has also been entered into with the Office of the Jersey Charity Commissioner.

2022 NPO NRA

To gain a better understanding of the risks that the non-profit sector posed to the Island a [2022 NPO NRA](#) was conducted. It was published in April 2022.

The NRA work incorporated extensive outreach and engagement with the non-profit sector. It also focused on reminding NPOs of their obligation to keep the JFSC abreast of any changes to their registration information since this had been an area of weakness in the past.

Cross-border funds flows were considered as part of the risk assessment work. For example, two large, international NPOs (registered with the Charity Commission in England and Wales) reported using hawala as a payment method during the NRA. One of those organisations has since deregistered.

Improved statistical data and information

Of approximately 1,300 organisations registered with the JFSC, 975 organisations are NPOs as defined by FATF. The vast majority are based in, and raise funds in, Jersey to support charitable, religious, cultural, educational, social or fraternal activities that benefit the local population.

Of the 975 NPOs within FATF scope, 840 NPOs were considered to be at a low risk of TF abuse because:

- i. they raised and disbursed funds domestically and/or in neighbouring jurisdictions where there is no domestic terrorism threat (Jersey, Guernsey, Isle of Man); or
- ii. they raised and/or disbursed funds in neighbouring jurisdictions where the non-profit sector is at low risk of terrorist abuse and the NPO regime is recognised as being robust enough to identify TF abuse (England, Scotland, and Wales).

The remaining 135 NPOs were classed as Prescribed NPOs. It is this group that is subject to JFSC supervision.

Since the introduction of the supervisory regime more detailed analysis has been undertaken and the Prescribed NPOs have been further divided into High, Medium and Low risk.

The [Prescribed NPO Order](#) obliges Prescribed NPOs to comply with specific additional obligations and this means that Prescribed NPOs are also Supervised Persons under the Supervisory Bodies Law. This legislation provides the JFSC with the same dissuasive sanctions and supervisory powers across all sectors of its AML/CFT/CPF supervisory regime.

Close partnerships

The Office of the Jersey Charity Commissioner, administers the charity test under the Charities (Jersey) Law 2014 (**Charities Law**). As at 1 January 2023 it had 457 charities (**Jersey Registered Charities**) on its register. This public register is separate and distinct from that of the JFSC since the two bodies have different roles and responsibilities. The JFSC is the designated supervisory authority for CFT purposes for the non-profit sector whilst the Office of the Jersey Charity Commissioner supervises the compliance of charity governors with their duties under the Charities Law, maintaining a public register of charities to support public trust and confidence in Registered Charities and their work.

The JFSC and the Office of the Jersey Charity Commissioner have adopted a collaborative approach to avoid potential duplication of monitoring and information gathering, a consequence which could unnecessarily burden the NPO sector. This approach is underpinned by a memorandum of understanding signed between the Office of the Jersey Charity Commissioner and the JFSC on the 16th February 2023 establishing a framework under which both parties can exchange information and work together to exercise their respective functions as prescribed by law and create efficiencies for Jersey Registered Charities that have obligations under both the Charities (Jersey) Law 2014 and the Non-Profit Organisations (Jersey) Law 2008.

Both also work closely with the non-profit sector and other stakeholders with an interest in the sector.

APPENDIX B

VASPS

Risk overview published

On 22 May 2022 the GOJ published its first [VASP Risk Overview](#).

Amendments to the legislative and regulatory AML/CFT/CPF regime

VCEBs have been required to register with the JFSC since 2016 and have been subject to Jersey's AML/CFT/CPF regime.

In order that all virtual asset activities are subject to the same AML/CFT/CPF legislative requirements the [Proceeds of Crime \(Amendment No. 6\) \(Jersey\) Law 2022 \(POCL Amendment No. 6\)](#) aligned Jersey's VA and VASP regime to the FATF Standards.

POCL Amendment No. 6 has introduced the following definitions:

“Virtual Asset” means a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes.

“Virtual Asset Service Provider” includes a natural or legal person or arrangement that carries on the business of conducting one or more of the following activities or operations to, for or on behalf of another natural or legal person or arrangement:

- a. Exchange between virtual assets and fiat currencies,
- b. Exchange between one or more forms of virtual assets,
- c. Transfer of virtual assets,
- d. Safekeeping or administration of virtual assets or instruments enabling control over virtual assets,
- e. Participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

On 30 January 2023 VASPs became required to register with the JFSC for AML/CFT/CPF purposes and the VCEB notification only exemption was removed.

Work underway

The JFSC is currently collecting supervisory risk data on the VA/VASP sector on a case-by-case basis.

Positive steps are being taken through market entry controls and supervisory engagement to identify, assess, and understand the money laundering, TF, and proliferation financing risks prevalent in the VA/VASP sector, and to mitigate and, where possible, prevent those risks.

In H2 2023 it is proposed that the Island will undertake a VASP national risk assessment, applying the World Bank methodology. The JFSC will have a leading role in this work.

APPENDIX C

Glossary of terms

Defined terms are indicated throughout this document as follows; it is not intended that the meanings given below should necessarily be, or become, formal definitions, they are provided only to assist in simplifying these instructions and in making them clear.

Term	Definition
2021 TF NRA	2021 National Risk Assessment of Terrorist Financing
2022 NPO NRA	2022 National Risk Assessment of Non-Profit Organisations
AML	Anti-money laundering
CFT	Countering terrorist financing
Charities Law	Charities (Jersey) Law 2014
CPF	Countering proliferation financing
CTPU	States of Jersey Police - Counter Terrorism Policing Unit
EU	The European Union
FATF	Financial Action Task Force
GOJ	Government of Jersey
IFC	International finance centre
Jersey FIU	Jersey's Financial Intelligence Unit
Jersey Registered Charities	Charities registered under the Charities (Jersey) Law 2014
JFSC	Jersey Financial Services Commission
MoU	Memorandum of Understanding
MSB	Money services business
NPO Amendment Law	Non-Profit Organisations (Miscellaneous Amendments) (Jersey) Law 2022
NPO Law	Non-Profit Organizations (Jersey) Law 2008
NRA	National risk assessment
NTFIU	UK's National Terrorist Financial Investigation Unit
PEP	Politically exposed person

Term	Definition
POCL Amendment No. 6	Proceeds of Crime (Amendment No. 6) (Jersey) Law 2022
Prescribed NPO Order	Non-Profit Organisations (Prescribed NPOs - Additional Obligations) (Jersey) Order 2022
Prescribed NPOs	Defined in Article 1 of the Non-Profit Organisations (Prescribed NPOs - Additional Obligations) (Jersey) Order 2022
Supervisory Bodies Law	Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008
Supervised Person	Defined in Article 1 of the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008
Target Jurisdictions	Selection of 21 target jurisdictions presenting higher risk of TF (aligning with 2021 TF NRA)
TCSP	Trust and Company Services Provider (or Trust Company Business)
TF	Terrorist financing
TFS	Targeted financial sanctions
UK	United Kingdom
UN	The United Nations
VA	Virtual Asset
VASPs	Virtual Asset Services Providers
VCEB	Virtual Currency Exchange Business

