



Guernsey Financial
Services Commission

***The Financial Services
Commission (Bailiwick of
Guernsey) Law, 1987 as amended ("the Financial
Services Commission Law")***

***The Banking Supervision (Bailiwick of Guernsey)
Law, 1994 as amended***

***The Criminal Justice (Proceeds of Crime)
(Financial Services Businesses) (Bailiwick of
Guernsey) Regulations, 2007 as amended ("the
Regulations")***

***The Handbook for Financial Services Businesses
on Countering Financial Crime and Terrorist
Financing ("the Handbook")***

***Ahli United Bank (UK) PLC, Guernsey Branch (the
"Licensee")***

Article Info

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General; Banking

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On 30 October 2014 the Guernsey Financial Services Commission ("the Commission") decided:

- to impose a financial penalty of £70,000 under Section 11D of the Financial Services Commission Law on the Licensee; and*
- to make this public statement under Section 11C of the Financial Services Commission Law.*

The Commission considered it reasonable and necessary to make these decisions having concluded that the Licensee had failed to ensure that the outsourced compliance arrangements which were applied to its business were appropriate and effective to mitigate the financial crime risks to which the business could be exposed.

The background to these decisions is as follows.

The Licensee has operated in Guernsey since 21 September 2000 and since 26 July 2001 under a Banking Administration Agreement with a Guernsey Service Provider.

The Financial Crime Division of the Commission conducted an Anti-Money Laundering/Countering the Financing of Terrorism ("AML/CFT") on-site visit to the Licensee in March 2014 and, as a result of the findings of that visit, subsequently conducted a follow-up visit in conjunction with the Commission's Banking and Insurance Supervision and Policy Division between the end of April and beginning of May 2014. As a result of the findings of the March and April/May 2014 visits, the case was referred to the Commission's Enforcement Division.

The Commission identified a number of areas of non-compliance by the Licensee with the requirements of the Regulations and the rules in the Handbook. The breaches appear to have arisen due to the Licensee failing to ensure that the AML/CFT policies, procedures and controls being applied to its business were applied consistently to its customer base and that the reporting and reviews in its business were sufficiently effective.

The Commission found that:

- *inadequate customer due diligence ("CDD") was being conducted on customers as a result of reliance on CDD and risk assessments conducted by Ahli United Bank (UK) PLC, London, without verifying that these had been undertaken in compliance with the Regulations and rules in the Handbook;*
- *the Licensee had failed to ensure that customer risk assessments were undertaken in accordance with Regulation 3(2), as a result of which reliable risk profiles could not be formed, expected transaction activity gauged and the purpose and intended nature of the relationship understood with sufficient detail;*
- *customer risk reviews, which should have brought to the Licensee's attention the extent to which CDD deficiencies existed, had not been conducted or were deemed inadequate by the Commission;*
- *the Licensee failed to ensure that the requirements of GFSC Instruction (Number 6) for Financial Services Businesses dated 11 November 2009 were applied fully to its existing customers by failing to satisfy itself that CDD information appropriate to the assessed risk was held in respect of each business relationship; and*
- *the Licensee failed to ensure that ongoing and sufficiently effective enhanced monitoring was undertaken in accordance with Regulation 11 of the Regulations, particularly in the case of Politically Exposed Persons ("PEPs").*

Due to the risks in relation to the Licensee's customer base, a significant number of which are high risk and PEP-associated, together with the non-face to face nature of its business activities, these breaches are considered to be serious.

Mitigating Factors

At all times the directors of the Licensee co-operated fully with the Commission and in reaching its decision the Commission recognises that the Licensee has put in place a comprehensive AML/CFT Risk Mitigation Programme to address the risks identified by the Commission, as well as to review more broadly the Licensee's compliance arrangements.

The Licensee has undertaken to commission an independent review of its AML/CFT compliance arrangements to be completed expeditiously to ensure that those arrangements meet the regulatory standards required in the Bailiwick of Guernsey.

The Licensee agreed to settle at an early stage of the process and this has been taken into account by applying a discount in setting the financial penalty.

End of statement