



Gibraltar Financial Intelligence Unit
HM Government of Gibraltar

ANNUAL REPORT

2020

& Strategic Analysis

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Strategic Analysis
Report 2020



Edgar Lopez
Director, GFIU

It is my pleasure to introduce the 2020 Annual Report, which includes a detailed Strategic Analysis Report. It demonstrates the progress and great outcomes achieved during 2020, outlining the priorities and goals that drive our efforts. A separate Sectoral Typologies Report has also been published and will be crucial to better understand the various existing or emerging threats on money laundering, terrorist financing and proliferation financing.

As the first Director of the GFIU, I am extremely grateful for the support I have received from our staff, who have, despite readjusting to a new restructure, ensured that we stay on course for our Moneyval follow up and maintained the unit operational through the challenges of working during a global pandemic.

I would also like to thank our key partners from the public sector and indeed those in the private sector who without their support, we would not be able to achieve what we have. Amongst many other things, Covid-19 identified how dependent we have become to IT systems. It has been challenging and has tested our resilience, but our ability to react to changing demands has been crucial to business continuity.



The GFIU performs a vital role in the fight against economic crime and is at the heart of Gibraltar's finance centre. It is the hub of what drives the intelligence required to tackle criminal conduct and those who want to cause harm. From the financing of terrorism, to the laundering of proceeds of crime, to international peace and security in preventing proliferation financing of weapons of mass destruction.

Since my appointment at the end of March 2020, I set out a three-year Strategic Plan. This gives us a focus in line with Moneyval's recommended actions and the Government's strategic outlook to counter money laundering and terrorist financing. The GFIU's Strategic Plan is based on six key principles, centred on developing our own resources, increasing capacity building and engagement with our partners.

Over the last few months, many of those key outcomes have already been achieved and illustrates the significant shift towards achieving excellence. Criminals continue to innovate, and crime continues to change. It has become increasingly global, and as a consequence international cooperation between FIUs and other foreign law enforcement agencies is crucial. We have dedicated resources to ensure that our responses to international requests are timely and that we provide excellent customer service to our foreign counterparts. We continue to build partnerships at an international level, and we look forward to further work in this field.

As the pandemic continues, organised crime groups will also continue to exploit businesses through illicit cyber activity. The GFIU will take measures using financial intelligence and awareness to mitigate this new threat. We will ensure that we support law enforcement to tackle this challenge together.

One of my priorities is engagement with the private sector because this is an essential element in fighting economic crime. In order to achieve this, the GFIU will embark on a new project to develop and establish a Private-Public Partnership scheme by the end of 2021.

As we developed our outreach program, we moved into its third phase; using technology to reach out when physical social interaction is restricted. e-Nexus has been a pioneering initiative, introducing a series of workshops for all those working in the finance centre and who want to learn more about anti money laundering, financing of terrorism and other predicate offences. More effort will be placed in highlighting emerging threats, raising awareness on child online sexual exploitation, human trafficking and the illicit wildlife trade.

In 2019, the GFIU implemented a secure online reporting system. This digital transformation has already seen its results in the way that the work flows have been streamlined and made it user friendly for reporters to disclose suspicious activity to the GFIU. Our journey to develop our systems further continues and we have established a working group of users to make further improvements. It will improve our operational capabilities and enhance our strategic analysis to identify emerging threats. The development of the online reporting system now provides reporters with prompt feedback on the quality of their disclosure. A feature that improves engagement and provides a personal service with the aim of increasing the quality of the content of suspicious activity reports.

As we mark 25 years since GFIU was established, our work will continue in 2021 and new challenges will emerge, but I am confident that we will adapt and overcome these obstacles, delivering an enhanced service.

“As the pandemic continues, organised crime groups will also continue to exploit businesses through illicit cyber activity. The GFIU will take measures using financial intelligence and awareness to mitigate this new threat. We will ensure that we support law enforcement to tackle this challenge together.”





OUR ORGANISATION



The Gibraltar Financial Intelligence Unit (GFIU) was established in January 1996 to gather, store, analyse and disseminate intelligence related to criminal conduct, (including but not limited to money laundering, the financing of terrorism and the proliferation of weapons of mass destruction), transacted or attempted to be transacted through relevant financial businesses in accordance with the Proceeds of Crime Act 2015, the Terrorism Act 2018, and the Drug Trafficking Act 1995.

The unit plays a critical role in the fight against economic crime but it also uses financial intelligence to tackle other criminal conduct. It maintains a secure database of all the disclosures and other financial intelligence arising out of any enquiries conducted into them. The disclosures are then analysed and further information is processed which enhances the intelligence picture. Subject to an evaluation process, intelligence packages are disseminated securely to law enforcement agencies such as HM Customs Gibraltar, the Royal Gibraltar Police or supervisory authorities for further action.

The GFIU also provides feedback to financial institutions and through its outreach programme 'Project Nexus' it aims to enhance awareness on money laundering, terrorist financing, human trafficking and proliferation of weapons of mass destruction. It also provides guidance on a number of areas which assists reporting entities in improving the quality of their suspicious activity reports.

As it marks 25 years since its establishment, the GFIU has undergone a major restructure. A Director, who oversees a permanent core of Financial Intelligence Officers, and other staff, leads the unit with specialist officers on secondment from the Royal Gibraltar Police, HM Customs and the Gambling Division. The GFIU functions in accordance with the Financial Action Task Force (FATF) Recommendations and Standards, and is evaluated by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

As a member of the Egmont Group of Financial Intelligence Units, and an associate member of the International Anti-Corruption Coordinating Centre (IACCC), it makes a significant contribution in its global efforts to combat financial crime.

The GFIU participates in the Quad Island FIU working group together with the Financial Intelligence Units from Guernsey, Isle of Man and Jersey. In December 2019, the GFIU hosted a meeting in Gibraltar House, London, where matters of common interest between all participating jurisdictions were discussed. The group is an invaluable forum for the development of similarly sized FIUs.





OUR PEOPLE





Our Director

In March 2020, the Attorney General appointed Edgar Lopez as the Head of the GFU. Edgar has had a distinguished career serving as a police officer in the Royal Gibraltar Police for 21 years. Although he has been a uniformed officer in a number of departments, most of his career was spent in specialist departments within the Crime and Protective Services Division. He was the Head of Special Branch before becoming the Head of Interpol Gibraltar SB, gaining experience in criminal and counter-terrorism intelligence.

Before his appointment, he had been seconded as the Head of Projects at GFU, leading it through the MONEYVAL process. Edgar is committed in developing the GFU further with a strong emphasis on capacity building amongst his staff and establishing private public partnerships. He was recently elected as the Chair for the Royal Gibraltar Police's Ethics Committee.



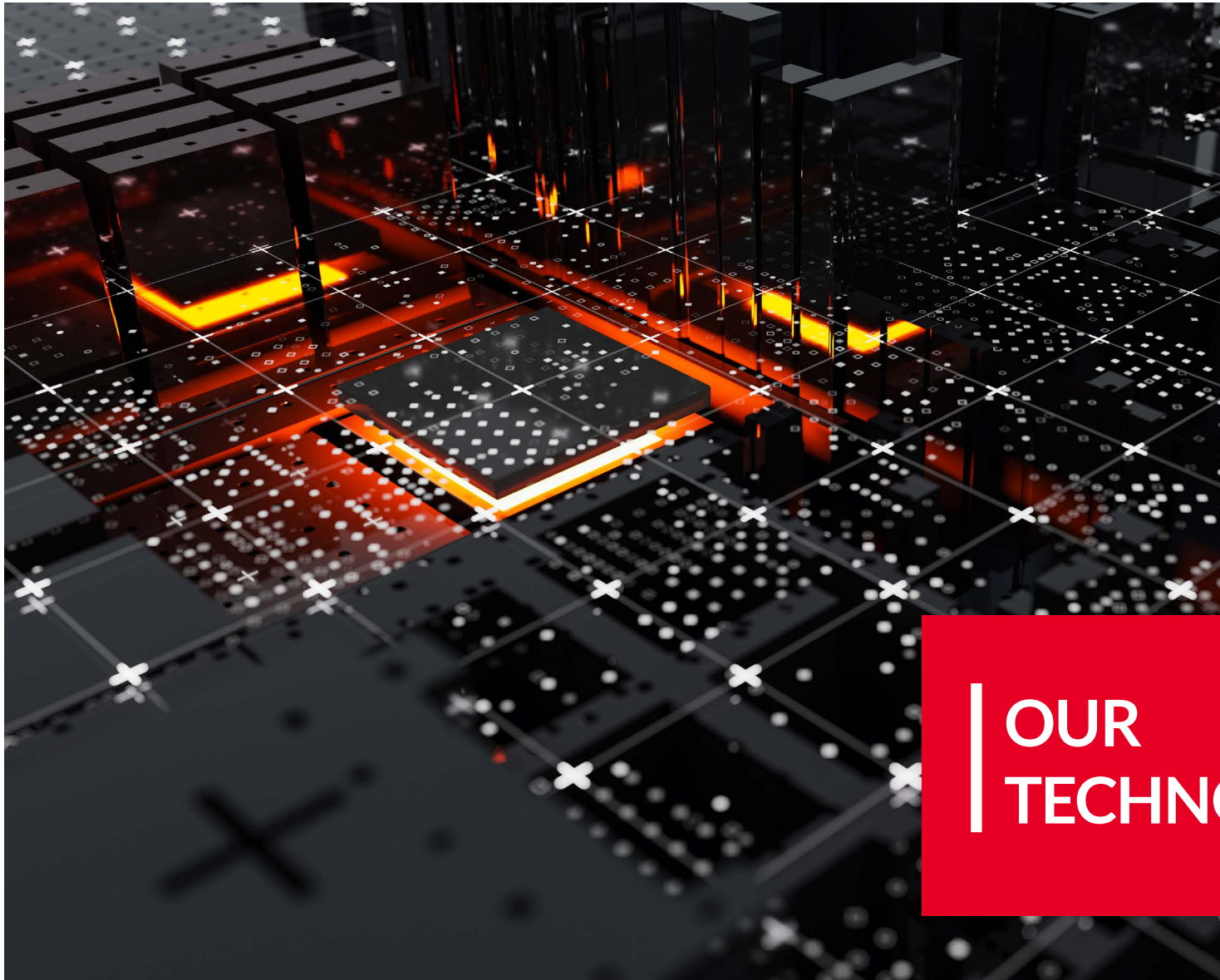
Our team

The GFU is an inclusive and diverse workplace that will enable staff members to realise their potential and contribute to the GFU's performance. Bringing a wide range of skills, knowledge and experiences will improve productivity, decision making and problem solving.

Some of the Financial Intelligence Officers (FIOs) have previously worked in the private sector and as regulators in financial services, bringing different skills sets, and an alternative approach to the traditional law enforcement investigative skills. Adapting these range of skills to the workplace compliments the existing knowledge and becomes essential for handling the complexities of the ever-changing threat landscape. Our training is sought from various sources, but all our FIOs conduct an in-house training and mentoring program followed by a FIO course with the UK's Proceeds of Crimes Centre (the body that accredits and monitors the performance of all financial investigators in England, Wales and Northern Ireland). In April 2020, the GFU introduced a new concept of training days, which take place regularly and ensures that core skills are maintained. In-house training takes place in various forms from short presentations, improving working practices sessions, innovation hubs and e-learning.

The GFU is committed to a culture of ethical behaviour, and values the potential of its most important asset. It supports the creation of a positive atmosphere in a healthy working environment that leads to employee motivation and efficiency. Developing skills and specialisation is part of the GFU's Strategic Plan.





OUR TECHNOLOGY





THEMIS - Online Reporting System

In 2016, the GFIU began looking at digitising its system of receiving suspicious activity reports. Reporting was largely based on hard copy disclosures that required inputting by Financial Intelligence Officers into the GFIU’s IBM iBase database. With the increase in disclosures, the manual input created a backlog, with valuable time and resources being diverted away from operational analysis. It then began a project to introduce a new online reporting system and whilst it looked at a number of options, it settled for one used by other FIUs with similar legislation, resources and workload.

On the 7th of January 2019, the GFIU launched THEMIS for the secure submission of Suspicious Activity Reports (SARs). The launch was a culmination of a two-year project with software developers, foreign FIUs, Money Laundering Reporting Officers (MLROs), HMGoG’s Information Technology & Logistics Department (ITLD), and Law Enforcement Agencies (LEAs). Before the system went live, training was provided to over 180 users and this proved to be a valuable exercise as it transitioned to a new way of reporting.

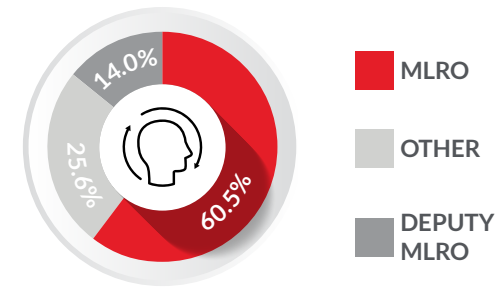
THEMIS consists of two separate parts – an online ‘portal’ for use by MLROs and a system visible only to the GFIU, with restricted access to LEAs and the Government Law Offices with respect to Mutual Legal Assistance (MLA) requests. The portal allows a MLRO to create a SAR and can save a draft version and continue to work on it for as long as is necessary until it is ready to save as the final version before it is submitted to GFIU. The portal allows a great deal of detail

to be entered, but only a subset of the information is mandatory to encourage MLROs to include as much detail as possible but still allow them to report suspicions even if they have limited information.

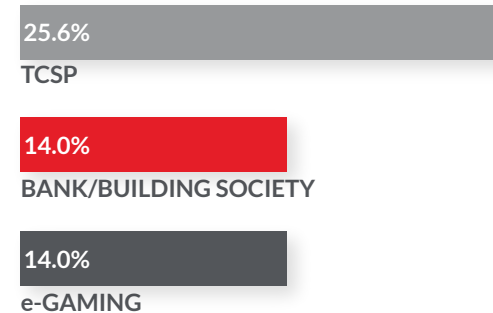
The GFIU then carry out the processing of the SAR in the internal system and can send letters and requests for additional information to the reporting entity, which will appear in the MLRO portal. Letters and notices (for example requests for information about persons of interest, or general information such as changes to legislation) can also be securely distributed to all registered MLROs via the portal.

The system has a workflow process, which is entirely configurable by the GFIU, and works by creating tasks, which must be completed before the SAR, can be closed. This allows the GFIU to ensure that all necessary work is completed without constraining the user to a fixed method of working.

USER DEMOGRAPHICS



TOP 3 RESPONSES BY SECTOR



30.2%

USE THE ONLINE REPORTING SYSTEM EVERY WEEK

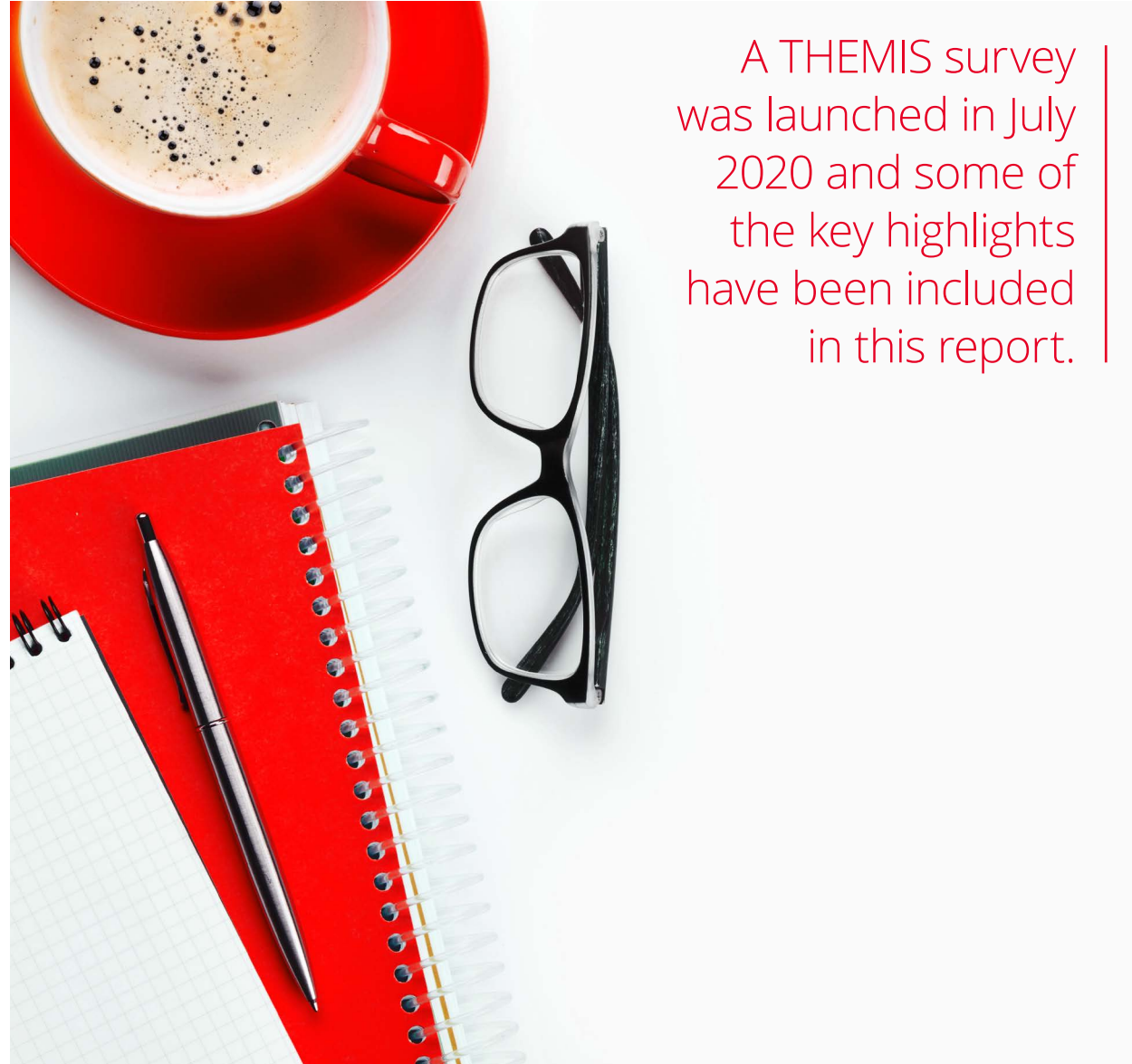


THEMIS is very configurable and has dropdown selection lists, which have been configured in consultation with the industry users. All users of the internal system have access only to functionality to which they have been specifically granted access, so it is possible to create a variety of user types, allowing access only to features appropriate to the individual's role.

THEMIS has not only further enhanced the GFU's capabilities to combat money laundering and terrorist financing but also enhanced the security of the data shared with the GFU. New developments and functionalities have been identified and this has polished and enhanced the capability of the system. The database has become the central repository for all financial intelligence and includes all international requests and spontaneous intelligence received via the Egmont Secure Web. The database also includes MLA requests, LEA notifications of current investigations, all data requests, cash declarations and other intelligence functions, making it a versatile solution.

The continuous development of THEMIS now provides reporters with an almost instant feedback facility based on the quality of their disclosure. This feature improves engagement and provides a personal service with the aim of increasing the quality of the content of the suspicious activity reports. Further functionality modules will allow reporters to send information, which falls outside the Suspicious Activity Report (SAR) regime. This module is likely to increase the value of financial intelligence for other criminal conduct and will be a welcome addition to Law Enforcement Agencies.

Two Crown Dependencies, Guernsey and Isle of Man currently use THEMIS and a new Themis Working Group has been created between the three jurisdictions with the software developer to jointly enhance its capabilities.



A THEMIS survey
was launched in July
2020 and some of
the key highlights
have been included
in this report.

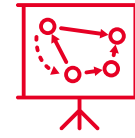




OUR STRATEGY



Strategic Plan 2020-23



Strategic Plan

The GFIU has for the first time produced a three-year Strategic Plan, which is based on six priorities. These priorities are informed by the findings of our Mutual Evaluation Report published by Moneyval (Council of Europe) and also in line with the FATF's Standards. It emphasises the areas where the GFIU wants greater focus and is centred on capacity building and enhancing partnerships. The director of the GFIU is committed to ensuring that the plan can achieve the desired outcomes by making the best use of resources.

It plans to optimise the GFIU's infrastructure, innovate where possible to disrupt criminal activity, and find ways and solutions to address new threats. Removing barriers to information sharing will be one of the GFIU's targets and will do this by promoting better sharing methods with the appropriate measures in place to securely transmit and protect sensitive data.

The delivery of the GFIU's Strategic Plan 2020-23 can only be achieved by working together collaboratively with our partners and the private sector. Progress will be measured against the priority goals of the plan through a combination of quantitative statistics, case studies, and other data available to GFIU, which will demonstrate the changes and improvements that have taken place.

Since the publication of the Strategic Plan, the GFIU has made significant progress in most of its priorities. Although there is still some work to be done, it is reassuring to see the support received from both the public and private sector that ensures its success.





OUR COMMITMENTS



The GFIU is committed to its role as a contributor to global AML/CFT programmes, policy discussions and information exchange networks. During the year, the GFIU has focused on some of these key areas:



Trafficking in Human Beings

Human trafficking is big business. It is the process by which people are transferred from one place, area or country to another. This could take place across jurisdictions and persons subject to this process are being moved against their will or under false pretences. Human trafficking seeks to exploit people and may be further sub-divided into sex exploitation where persons are forced or coerced to perform such acts or the involuntary recruitment of persons for forced labour.

As the central authority for the receipt of SARs and other financial intelligence, the GFIU is able to work closely with reporting entities to identify red flags and typologies related to human trafficking. The trafficking schemes that we have experienced in Gibraltar are relatively small but it reflects the fragmented nature of the traffickers' setup. It is certainly not an easy task, but we are committed to coming up with innovative solutions to make the best out of that financial data. By exploiting this data is what will get us results. Internal modifications to its online reporting system have been made to ensure that any SAR submitted related to human trafficking is classified as high priority.

The GFIU is committed to provide assistance to tackle this terrible crime, and we will engage with financial institutions who have a critical role to play in fighting it. Through outreach and engagement, we will focus our efforts to raise awareness on indicators which can be incorporated into AML processes. In December 2020, the United Nations Office on Drugs and Crime (UNODC) conducted a two-day workshop to discuss Trafficking in Persons and Smuggling of Persons (TIP/SOM), hosted by the Moroccan FIU (UTRF). The Director of the GFIU was invited as a speaker to share the GFIU's experience in improving engagement and outreach with the private sector to detect illicit finances related to this crime.



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Online Child Sexual Abuse and Exploitation

Covid-19 has had a massive impact on online child sexual abuse and exploitation (CSAE). A number of factors such as restrictions in travel and the rise in the use of technology to communicate whilst in isolation has opened up new opportunities for criminals to adapt to societal changes. Technological advances in better internet coverage speed and live streaming platforms has made it easier for sex offenders to make use of this and exploit vulnerable children.

Tackling this widespread problem is challenging to law enforcement agencies. The use of the 'Darknet' and the fact that often the crime is committed remotely in multiple jurisdictions make it difficult in being able to identify and investigate offenders. In most recent cases, sex offenders are now using live streaming services to incite victims to commit sexual acts through webcams. To do this, they pay facilitators to stream live sexual abuse. This service requires payment and is often done through online financial transactions or Money Service Businesses (MSBs).

This is where financial data can become a tool for law enforcement. The GFIU is committed to proactively address this by introducing specific keywords associated with CSAE in its databases that will assist in identifying suspicious transactions. It is also committed to raise awareness on CSAE with a particular focus on MSBs, e-money and DLT sectors. Work has already begun on this with GFIU providing training to officers from the Crime & Protective Services of the Royal Gibraltar Police (RGP). Collaborative efforts between the specialist officers from the RGP's Public Protection Unit and GFIU will ensure that guidance is made available to the private sector including the development of an e-Learning workshop dedicated to CSAE. It is expected that this will enhance the intelligence picture

HMGOG's AML/CFT/CPF 2020-2023 Strategy, published in Oct 2020, highlights the Government's support to the GFIU's outreach program and lists CSAE as a topic for delivery.



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Illicit Wildlife Trade

Illegal Wildlife Trade (IWT) is one of the most lucrative types of transnational organised crimes, worth up to £17 billion a year globally. IWT not only destroys the planet's biodiversity but it has a negative impact on economic and social development, affecting the livelihoods of communities that depend on wildlife. It also undermines the rule of law, fosters corruption and creates huge criminal profits through other forms of serious organised crimes. Most of these vast profits are then laundered through global financial systems using well-developed trade infrastructures with strong integration into the global economy.

The GFIU is committed to tackle IWT. It has already commenced by training its staff in identifying IWT, and providing access to e-learning courses on IWT to both HM Customs and the Royal Gibraltar Police. In May 2020, the GFIU signed a Memorandum of Understanding with the Department of the Environment and Climate Change, which formalises the exchange of information and can tap into their respective specialist skills. Financial intelligence is a useful tool in criminal investigations but particularly so when it comes to IWT, because integrating this into investigations will improve the broader efforts. Gibraltar's finance centre has a key role to play to combat this crime and work is already underway to raise awareness through Project Nexus.

Despite its strategic location, with maritime links, there is no evidence of IWT in Gibraltar, and has not detected or seized any wild animals or plants in recent years. Nevertheless, IWT is now included as a standalone vulnerability in the 2020 National Risk Assessment (NRA) and demonstrates that Gibraltar considers this a serious threat, and is ready to collaborate with the international community to track the global illicit financial flows associated with IWT.

The FATF released a report titled, 'Money Laundering and the Illegal Wildlife Trade', in June 2020. The report provides guidance on measures that can be taken by countries to adopt good practices to combat the proceeds of crime derived from the IWT.



The GFIU is committed to its role as a contributor to global AML/CFT programmes, policy discussions and information exchange networks. During the year, the GFIU has focused on some of these key areas:



Counter-Proliferation Financing

Gibraltar achieved a 'Moderate' level of effectiveness for Immediate Outcome 11, which relates to Proliferation Financing. The Mutual Evaluation Report (MER) highlighted that Gibraltar has a comprehensive legal framework governing Targeted Financial Sanctions for Financing of Terrorism and Proliferation Financing. However, recommendations were made and the GFIU is ensuring that these are being addressed.

Gibraltar has made significant progress in this field since the Moneyval report was published. It published a guidance document on Counter Proliferation Financing to further strengthen the industry's understanding of its international and domestic obligations. The publication of the guidance followed some internal training, which covered Law Enforcement Agencies and the Supervisory Bodies, and was conducted between the Gibraltar Financial Services Commission (GFSC) and the GFIU. Although most of the progress has been made post-MER, the GFIU had not stood still in the lead it up to the evaluation. One GFIU officer attended a Counter Proliferation Financing Workshop in Riga, Latvia at the end of May 2019, and then organised training with the Royal United Services Institute (RUSI) for both the public and the private sector in October 2019. The guidance notes were promptly followed by an e-Learning workshop under Project Nexus which allows the private and public sector a more interactive approach to better understand the complexities of sanctions evasion tactics and proliferation methods.

The GFIU is now the lead agency for Proliferation Financing, and coordinates intelligence through the Joint Coordinating Intelligence Group (JCIG-CPF). This group will continue to strengthen existing collaboration with stakeholders to address any potential proliferation financing threats faced by Gibraltar, either directly or indirectly. A strategic framework document was recently published which brings in all the stakeholders, recognising the importance Gibraltar places on countering proliferation financing to ensure that it contributes to global peace and security.

Gibraltar's latest National Risk Assessment (NRA) has sought to identify threats and vulnerabilities in not only Money Laundering and Terrorist Financing but we added a section on Proliferation Financing for the first time. The GFIU ensured that it captured all the available data and concluded that the risk was Low. During this process, the GFIU consulted with other stakeholders and included the private sector and research institutions like RUSI and others. The important outcome of the inclusion of proliferation financing is that by having it included in the NRA, we expect a better understanding of the PF threats, risks and vulnerabilities and will hopefully be the foundation for both the private and public sector to develop the appropriate response, whether this is internal policies, internal risk assessments of products or services or tightening or reviewing existing mitigating measures.

The Financial Action Task Force (FATF) recently adopted amendments to Recommendations 1 and 2 and their Interpretive Notes that require countries and the private sector to identify and assess the risks of potential breaches, non-implementation or evasion of the targeted contained in FATF Recommendation 7, and to take action to mitigate these risks, as well as to enhance domestic co-ordination. By adopting these measures, the FATF has significantly strengthened the global response to Weapons of Mass Destruction(WMD) proliferation financing.



The GFIU is committed to its role as a contributor to global AML/CFT programmes, policy discussions and information exchange networks. During the year, the GFIU has focused on some of these key areas:



Targeted Financial Sanctions

Financial sanctions are legal restrictions put in place by the UN, EU, UK or Gibraltar in appropriate cases to achieve specific policy or security objectives. Sanctions have been implemented effectively in Gibraltar for many years. However, among other new features, the Sanctions Act 2019 provides for the automatic recognition and enforcement of UN, EU and UK sanctions. The Sanctions Act 2019 and the Terrorist-Asset Freezing Regulations 2011 also provide for separate Gibraltar sanctions designations to be made by the relevant competent authorities in Gibraltar if necessary.

Reports of frozen funds and economic resources, information regarding a designated person, and notifications of credits to frozen accounts are reported to the GFIU. The online reporting system allows for the receipt of these reports either in a Suspicious Activity Report (SAR) or through a new feature that is currently being developed to allow information exchanges that do not fall under the SAR regime.

The GFIU are currently working with the software developer to automate the process of screening all data held by GFIU to try to identify any target matches. This will enhance the processes internally and will assist in developing and updating guidance for the private sector.

In early 2020, the GFIU collaborated with HM Treasury's Office of Financial Sanctions Implementation (OFSI) and the Foreign, Commonwealth and Development Office (FCDO) to provide a financial sanctions training workshop to the public sector. It aimed to strengthen Gibraltar's financial sanctions implementation systems and processes.

There will certainly be some expected challenges in a post-Brexit sanctions framework. The UK has already laid out a number of statutory instruments under the Sanctions and Anti-Money Laundering Act 2018 (SAML). As noted, however, Gibraltar's Sanctions Act 2019 already recognises EU sanctions automatically as a matter of domestic law and will continue to do so after 31 December 2020 unless and until the Act is amended.





OUR OUTREACH





Outreach & Engagement

Officially launched by the GFIU in October 2017, Project Nexus is an initiative designed to outreach to reporting entities that are required by law to submit Suspicious Activity Reports (SARs). GFIU has sought the support from key partners and other stakeholders to ensure that the role of financial intelligence and the contribution it makes is clearly understood in protecting Gibraltar's finance centre from Money Laundering, Terrorist Financing and Proliferation Financing risks. The outreach enhances awareness, improves working practices, increases communication fluidity and creates a forum in order to keep abreast with current legislation, dynamic financial obligations and the evolving methods used by criminals and terrorists to launder funds.



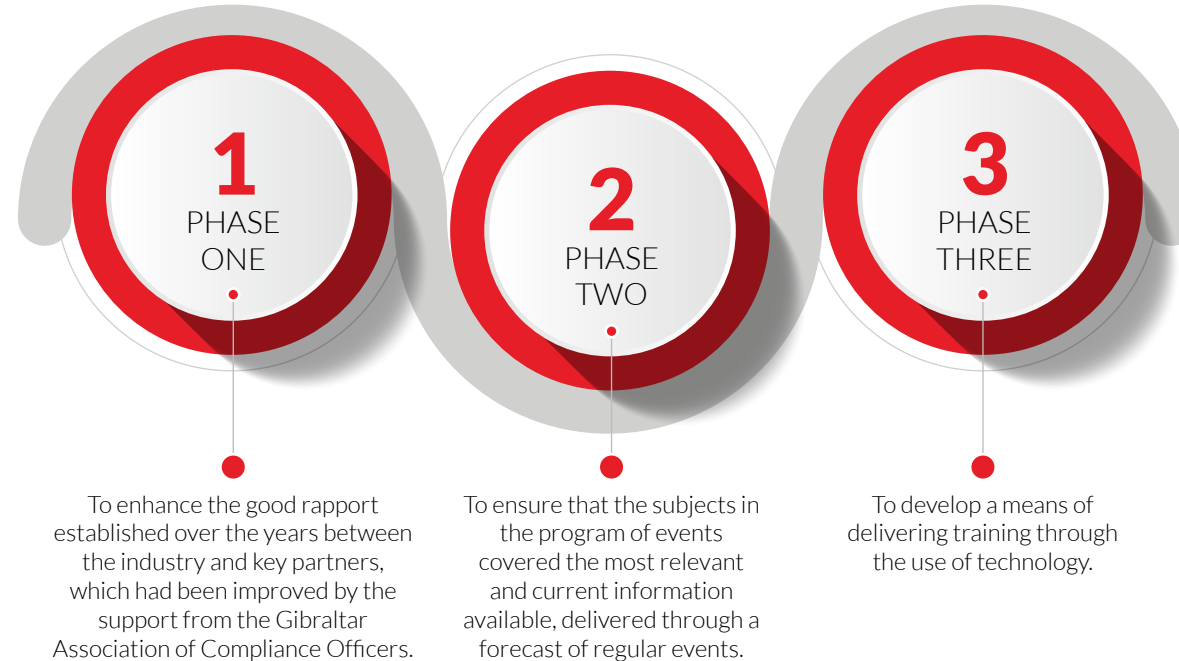


PROJECT NEXUS

Nexus was chosen as a project name because it gave it a unique brand and means 'a **connection or series of connections linking two or more things together**'. This is exactly what the outreach program is designed to do; connect the public sector with the private sector to raise awareness in the fight against economic crime.

In order to evaluate the delivery, content and value of Project Nexus, an impact evaluation was conducted through feedback. The data collected was recorded and assessed in order to make an informed decision about the quality and achievements gained. The initial response was incredibly positive and quickly proved to be an extremely valuable initiative.

The project followed a three-phase approach:



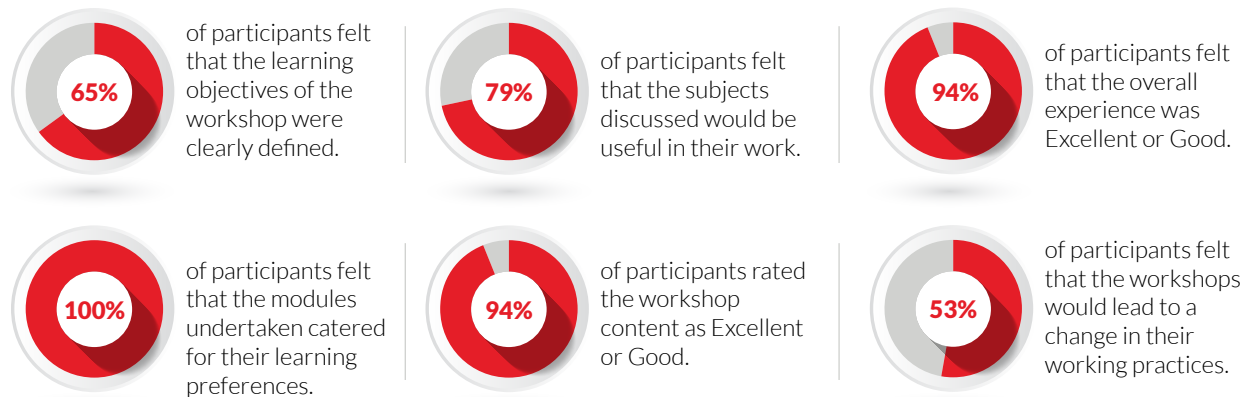
As it moved into Phase Three, the GFIU developed an e-learning system which contains workshops on specific subjects related to money laundering, terrorist financing and proliferation financing. It ensures that there is continuity of the outreach program using technology and during these challenging times, it is an essential tool for all.



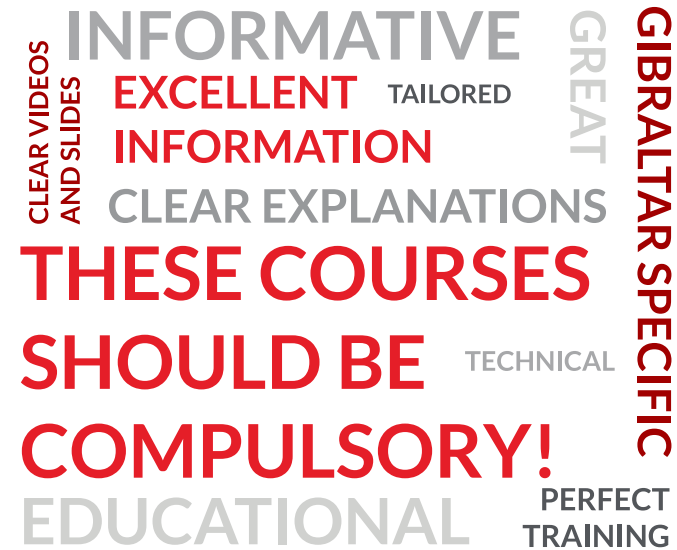


Project Nexus was relaunched in October 2020 with a new logo and brand that can be easily identifiable bringing positive experiences. The logo depicting an X (taken from the word Nexus) is a graphic element that represents connecting people who meet at a point with a common aim.

The e-Nexus Series is an excellent way to ensure resilience whilst physical engagement is restricted. e-Nexus is designed to be innovative, creative and engaging. Overall, participation has been positive and the Gaming, Trust and Corporate Services Providers consistently engage the most with the available training sessions to date. Anonymous surveys were issued at the end of each online course and respondents shared their views on a number of key areas. Statistics collected have been aggregated and displayed below:



The word cloud below highlights some of the anonymous feedback received from the private sector:



The GFIU is committed to enhancing its ways of communications, consequently, a review of its outreach and engagement was conducted and a holistic 3-year Corporate Communication Strategy provides reporters with the various means in which the GFIU can interact with the private sector.

In a new initiative, expected to be rolled out during 2021, the GFIU is now looking at developing a new concept of engagement with the private sector. This will be in the form of clinics designed to communicate with reporters who wish to discuss any issues related to their line of work. Although it is not designed to provide legal advice, GFIU will be able to assist with specific issues or concerns the reporter may have.





**OUR
INTERNATIONAL
WORK**



The GFIU plays an important role in international AML/CFT initiatives through its contribution to global AML/CFT programmes, international fora, engagement with other FIUs and information exchange networks.



Egmont Group of Financial Intelligence Units



Established in 1995, the Egmont Group is an international forum comprising of over 160 Financial Intelligence Units (FIUs). It provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing (ML/TF) using a secure communication system called the 'Egmont Secure Web' (ESW).

The GFIU is an Egmont Group member, since 2004, and it exchanges information regularly with its foreign counterparts. It makes a significant contribution in the global fight against money laundering, terrorist financing and proliferation financing. Through the Egmont Group, it is able to engage in effective cooperation and although it does not legally require a Memorandum of Understanding (MoU), it has signed a number of them with key partners to ensure that they provide a framework for information exchange. As part of information exchange processes, the GFIU also cooperates with non-counterpart authorities within the framework of diagonal cooperation.

In January 2020, the GFIU participated in the Egmont Group's Working Groups and Committee Meetings, which was kindly hosted by the Financial Intelligence Unit - Mauritius. With over 300 participants attending this event the GFIU took part in the Membership, Support and Compliance Working Group (MSCWG) which reviews Egmont Group candidate-FIUs' membership application from operational and legal perspectives.

The Covid-19 pandemic had a significant global impact on travel, and the Annual Plenary planned to take place in Oaxaca, Mexico was postponed. Despite this, the Egmont Group managed to find an alternative to ensure continuity, with interactive webinars for Heads of FIUs. This proved to be very successful and new and exciting projects were discussed. These meetings are an essential part of our membership and allow the GFIU the opportunity to present, learn and share best practice with other jurisdictions.

The GFIU is committed to make further improvements to the response times of information exchange, not only to ensure that we meet international standards, but more importantly that our support to other FIUs has an effect on tackling criminal conduct. New and innovative ways to facilitate the information obtained from the private sector within the legislative framework, will be looked at.





International Anti-Corruption Coordination Centre (IACCC)



On 30th July 2020 the IACCC, hosted by the NCA, launched a new Associate Membership Scheme. This allows law enforcement agencies from smaller financial centres to join the IACCC as Associate Members having signed an MOU. Associate Members are able to rapidly exchange intelligence with the IACCC to assist with the development of the intelligence picture on grand corruption cases. The IACCC will be able to provide further support to partners across the world with grand corruption investigations, including the facilitation of Mutual Legal Assistance (MLA) requests between their jurisdictions.

As an associate member, the GFIU now has a dedicated liaison officer to assist when required in the processing of intelligence related to grand corruption. The corrosive impact grand corruption has on communities, states and global economy can be devastating. Those who seek to hide and disguise their illicit funds may think that Gibraltar, as a small finance centre, is an attractive option to them. However, our comprehensive legal framework provides all that is necessary to detect, restrain and confiscate the proceeds of crime. Furthermore, Gibraltar has a strong commitment to ensure that it denies criminals' access to their assets and through collaborative work; this will become harder for criminals.

The new IACCC Associate Members are:

- The Cayman Islands Anti-Corruption Commission
- The Gibraltar Financial Intelligence Unit
- The Guernsey Financial Intelligence Unit
- The Isle of Man Financial Intelligence Unit
- The Jersey Financial Intelligence Unit
- The Mauritius Independent Commission Against Corruption
- The Seychelles Anti-Corruption Commission
- The Turks and Caicos Islands Integrity Commission.

These agencies join the existing core IACCC Members, consisting of law enforcement agencies from six countries and Interpol. It is the intention that additional law enforcement agencies will join the IACCC as Associate Members on a regular basis.

The Associate Membership Scheme further strengthens the IACCC as the only international initiative to provide specific operational support to external law enforcement agencies with their domestic corruption cases. It is hoped that the introduction of the Associate Membership Scheme will build upon the successes achieved since the IACCC became operational in July 2017.





OUR PARTNERSHIPS



The GFIU works closely with Gibraltar's law enforcement agencies and supervisory authorities. Working in partnership is firmly entrenched, and as a member of the Inter Agency Working Group, it actively supports the exchange of information sharing with a collaborative approach to address all matters related to economic crime.

The GFIU has the independence and autonomy to engage with individual partners and formalises this through Memorandums of Understanding (MoUs). MoUs provide a formal framework for cooperation and the GFIU has signed a number of them including some of our key partners:

- Gibraltar Financial Services Commission
- Office of Fair Trading
- Gambling Division
- Income Tax Office
- Department of the Environment and Climate Change
- Registrar of Friendly Societies

It also has Service Level Agreements with the Royal Gibraltar Police and HM Customs. The Legal Services Regulatory Authority is now working with the GFIU towards finalising a new MoU.

The GFIU also values the private sector as a pillar of an effective partnership, which aims to disrupt and detect criminal conduct. Through the Gibraltar Association of Compliance Officers (GACO), it is able to tap into the private sector with a wider reach and their support of the last few years is commendable.





OUR ANALYSIS FLOW



The GFIU acts as the central authority for the receipt of all disclosures made by reporting entities, and public authorities.

It also receives information from various other sources such as foreign FIUs via the Egmont Secure Web. All financial data and information received goes through a process of analysis and evaluation.

To do this each Suspicious Activity Report (SAR) is analysed and subjected to a preliminary assessment. It is then graded accordingly and if it does not meet the standard, additional information may be required with special powers under the Proceeds of Crime Act 2015.

The process of analysing SARs is achieved by using three priority levels (low, medium and high). This is facilitated by THEMIS, the online reporting system. For high priority cases (e.g. terrorist financing), the analytical process is undertaken immediately, assessing the need for additional information from the reporting entities, and whether the case may be disseminated that day to the LEA and kept under review after the submission is made.

SARs that require further work will undergo a process of checks through open source intelligence and by accessing dedicated databases held by public bodies. These can include motor vehicle database, UBO register, ID cards, land property register, etc. In cases where there are links with other jurisdictions, intelligence is sought from other FIUs. The information obtained may then be used to enhance the intelligence picture and provide a more detailed intelligence report. This intelligence report is then disseminated through secure means to law enforcement for further action. In some cases, regulatory issues may be identified and information is then shared with supervisory bodies. The process for each SAR whether criminal or regulatory remains the same.

In some cases, where this a link with another jurisdiction and there is valuable intelligence, a spontaneous report is immediately sent to the relevant FIU. Once a preliminary assessment of a SAR's content is made, if any transactions are within Gibraltar alone, searches against any relevant person are conducted through the GFIU database and through other databases to which the GFIU has direct access or access upon request.

The quality of each SAR is looked at and an assessment is then made on the value and quality of the information contained. A rating scale will ensure that the quality of the SAR can be determined. This will not only ensure that the required standards are observed but will also provide the basis of the feedback to the MLRO. Feedback is extremely useful not only does it provide an indication to the MLRO, as to the type of reporting that the GFIU wants to receive, but it also serves as a guidance for reporting entities to further improve the quality of the SAR.

Significant improvements have been made this year. The introduction of the National Decision Model (NDM), (a decision-making model used for policing) assists GFIU staff to manage their response in a reasonable and proportionate way. The NDM is a scalable model that can be applied before, during and after a situation or report made to the GFIU. Its flexibility means that, whilst it is designed for policing, it is a functional model that can be used by GFIU because it provides a framework for recording decisions and the rationale behind them. Adopting the NDM for the GFIU is part of a concerted drive to ensure a greater focus on delivering the functions of the GFIU, acting in accordance with legislation, reducing risk and supporting the appropriate allocation of limited resources as the demand increases.





OUR CHALLENGES



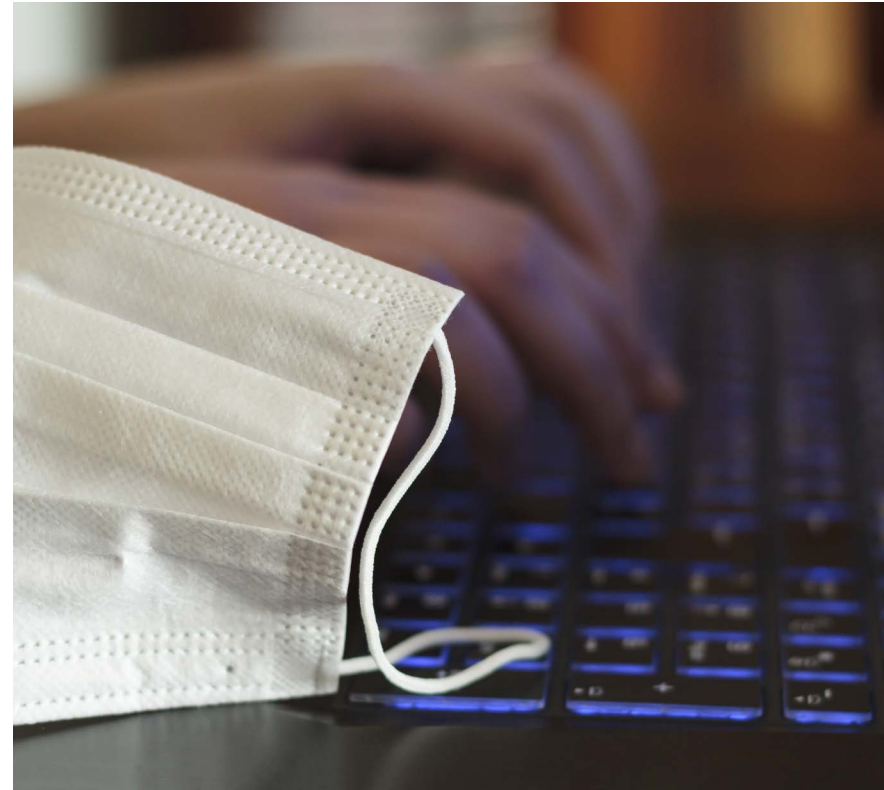
As the GFIU began to action the remediation program to address MONEYVAL recommendations, the World Health Organisation was already warning that the world should do more to prepare for a possible coronavirus pandemic. Towards the end of March 2020, Gibraltar entered a lockdown phase. Contingency plans were triggered and GFIU staff began working remotely from home. The transition was surprisingly seamless and the dedicated IT officer from the Information Technology & Logistics Department (ITLD) ensured that it maintained all its systems running and able to receive suspicious activity reports. It also ensured that our link with foreign FIUs remained accessible through the Egmont Secure Web.

The GFIU continues to have a team working from home and some working from the office. These arrangements continue to be kept under constant review and are based on the GFIU's revised Resilience & Business Continuity Plan.

The COVID-19 pandemic caused delays in the restructure of the unit and as it went through a transition phase, resources were thin and a steady stream of disclosures continued to be filed. Despite this, and the fact that it had shifted most of its staff to virtual offices at home, there was an increase in productivity. Although communication is a lot easier with everyone in the office, the staff was empowered with a number of digital communication tools that made regular contact and feedback possible.

Unlike other jurisdictions, Gibraltar has not experienced an influx of COVID-19 related financial crime and this may be due to a number of factors. Nevertheless, reporting entities were made aware of the risks posed by online fraud and the vulnerabilities of cyber related crime.

The planned outreach and engagement program was postponed and new methods were looked into. This seemed the right moment to move into Phase Three, which saw the use of technology to reach out to reporting entities. The GFIU worked closely with its partners and ensured that it remained committed to deliver a flexible and innovative solution, which has been extremely successful.





OUR ACHIEVEMENTS



2020 has seen a great number of achievements for the GFIU despite some of the difficulties highlighted. These included:

- Signing of MoU with Department of the Environment and Climate Change to tackle the financing of the illicit wildlife trade

Established a Joint Intelligence Coordinating Group to Counter Proliferation Financing
- Launch of Project Nexus Phase Three and the development of e-Nexus

Established a Joint Financial Intelligence Tasking Group to discuss financial intelligence and disclosures received by the GFIU where complex cases might be investigated
- Establishment of a Themis Improvement & Development Working Group

Created a structured mentoring and training program for all GFIU staff
- Launching of social media platforms and the development of a communication strategy

Introduced a number of new internal policies and standard operating procedures to professionalise and improve working practices within the GFIU
- Launch of Themis Survey for user feedback

Introduction of the National Decision Model as a risk assessment framework to assist GFIU staff in decision making
- Introduction of an improved agreement for dual reporting consent with the UKFIU and UK Gambling Commission

Conducted a scoping review on the roles and tasks of the GFIU staff in order to optimise performance
- Providing guidance to the private sector on requests from foreign law enforcement agencies in order to facilitate information exchanges in accordance with Gibraltar's data protection legislation

Improvements to IT solutions and the signing of a Technical Support Agreement with the Government's Information Technology & Logistics Department to ensure resilience and support of all critical IT systems
- Becoming an Associate Member of the International Anti-Corruption Coordinating Centre

Conducted a Gibraltar centric sector-specific typologies report
- Addressing Defensive SAR reporting

Designed and implemented a dedicated intranet system for the GFIU
- Publication of new guidance on Submission of a SAR, Proliferation Financing and Terrorist Financing

Adoption of 'Defence Against Money Laundering' and 'Defence Against Terrorist Financing' terminology for Consent
- Established a Mutual Legal Assistance Working Group

Conducted a Strategic Analysis project





OUR OUTLOOK



The GFIU has already set out its priorities for the next three years through its first Strategic Plan that was published in April 2020. It will therefore use this to ensure that the progress and achievements made in the six key priorities are measured every year.

We have already seen significant progress in many of these areas, particularly in the development of our people and engagement with the private sector through our outreach program.

In 2021, the GFIU will continue to develop the skills of our staff and enhance capacity building through learning and training. Engagement with industry specialists in DLT will allow us to improve our understanding of how criminals are using technology to commit crimes. This year we have ensured that this is captured in our training program.

We have introduced a sustainable program for outreach using technology. This will be exploited to its maximum potential so that we can reach out even in the most challenging situations as we have experienced during the COVID-19 pandemic. We will be looking at working with the private sector to develop dedicated sector specific workshops.

Money laundering is often perceived as a victimless crime. The reality is that much of the proceeds of crime come from victims of the crimes that generate the illicit funds. We will build on the work we have done in raising awareness on Human Trafficking. We will also ensure that we raise awareness on Online Child and Sexual Abuse and Exploitation. We are aware of the impact that legislation, practices and awareness on the subject can have on individuals that have been trafficked or who may be vulnerable to abuse. Therefore, during 2021, there will be an emphasis on improving detection of the financing of specific predicate offences that has a corrosive effect on society, and we will use all our capabilities to ensure that we can make a difference to save lives and identify those responsible.

We have already established a working group that will address the coordination of proliferation financing and export controls for dual use goods. Through the Joint Coordination Intelligence Group, we will develop our capabilities in detecting and disrupting proliferation financing, working with new partners like the Borders and Coastguard Agency and the Gibraltar Port Authority. Awareness training will be structured and delivered throughout the year ensuring that we improve our effectiveness.

We will seek collaboration opportunities to deliver a better response to tackle organised crime and terrorist financing through effective innovation. Our plans to establish a Public Private Partnership will commence this year and as one of our key priorities, we expect this to be completed by the end of 2021.

Our improvements in international cooperation will continue. Our International Desk will be optimised so that the mechanism that combines financial intelligence and mutual legal assistance requests produce even better results, with a focus on better coordination. This will improve our global collaborative efforts to identify and respond to emerging and changing threats.

More innovation will be encouraged to tackle economic crime. To do this we will engage with our partners including the private sector to make smarter use of our data to be able to predict criminal trends. Newly established working groups will be the foundation for this innovation hub, bringing expertise and experience into one body.





STRATEGIC ANALYSIS REPORT 2020



1. Strategic analysis overview

OVERVIEW

The GFIU has undertaken detailed strategic analysis of the SAR data reported to them over the years 2018 – 2020. Together with the sector typologies published, the information aims to provide a detailed overview of the money laundering and terrorist financing (“ML/TF”) related trends and patterns relevant to Gibraltar. This report aims to provide the GFIU and its stakeholders with further information on how best Gibraltar should strategically prevent money laundering and the financing of terrorism and leverages the following:

- The collation of annual data for patterns and similar concepts;
- Collecting, evaluating and collating further information as required from other competent authorities to enhance the findings; and
- Identifying connections or links between pieces of information.

The strategic analysis, which follows, focuses and highlights the main money laundering threats and vulnerabilities as reported by Gibraltar based entities.

SECTORS IN SCOPE

The GFIU has identified the following relevant regulated sectors that have been scoped into this exercise and for each, a typologies report has been prepared and are as follows:

- Gaming;
- E-Money;
- Distributed Ledger Technology (“DLT”);
- Banking;
- Trust and Corporate Services Providers (“TCSPs”);
- Insurance;
- Investment/Fund Managers/Securities;
- Accountants, Auditors and Insolvency Practitioners;
- Money Service Businesses (“MSB”) and Money Value Transfer Services (“MVTs”);
- Legal Professionals and Notaries;
- Real Estate Agency (“REA”); and
- High Value Dealers (“HVD”) and High Risk Dealers (“HRD”).

SUMMARY OUTCOMES



2. Suspicious Activity Reports outcomes

REPORTING FINANCIAL INSTITUTIONS

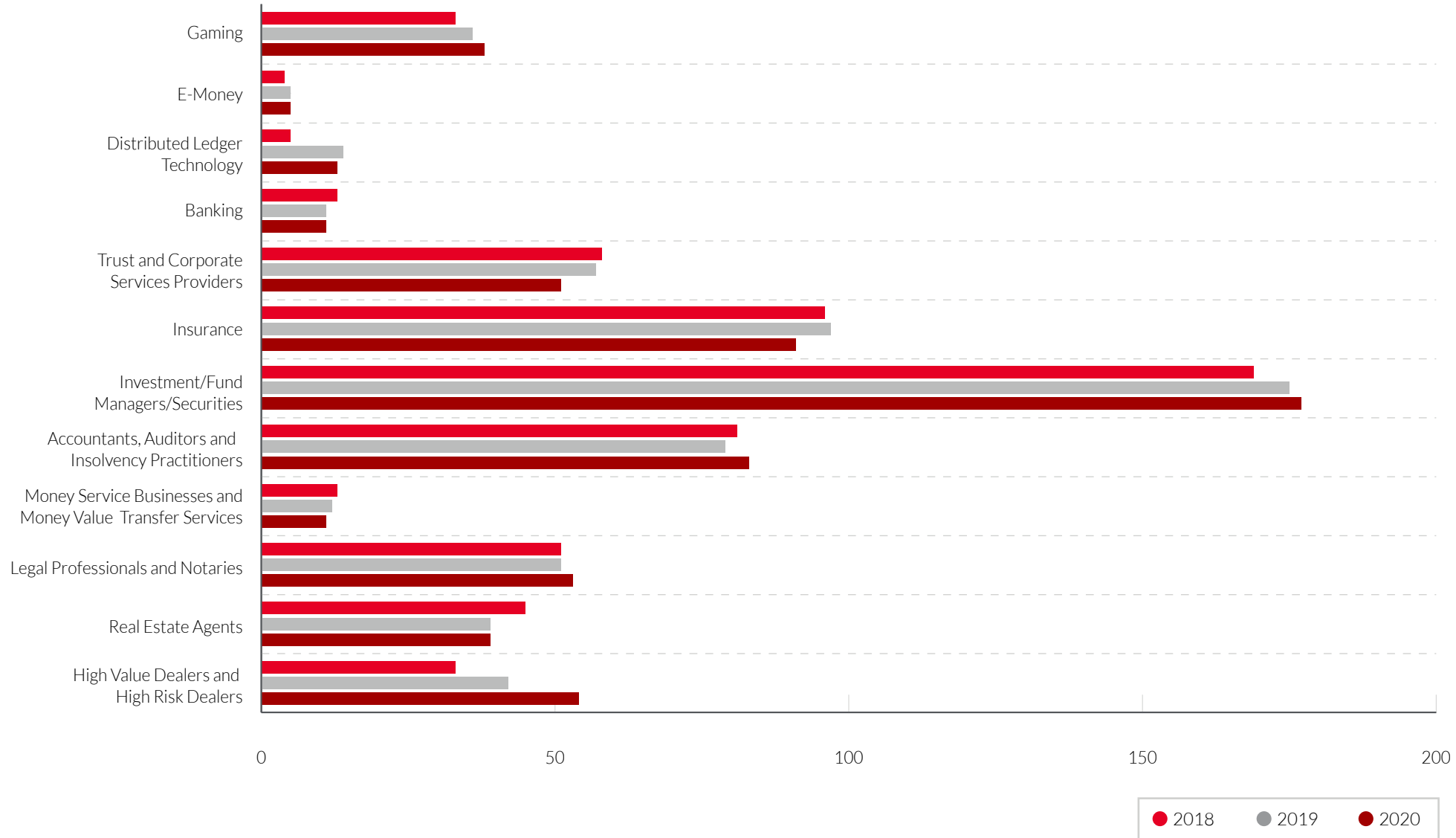
SARs were reported from various financial and non-financial businesses in Gibraltar during the years 2018 - 2020. This report will focus on the specific sectors in scope.

SUMMARY OF REPORTING FINANCIAL INSTITUTIONS

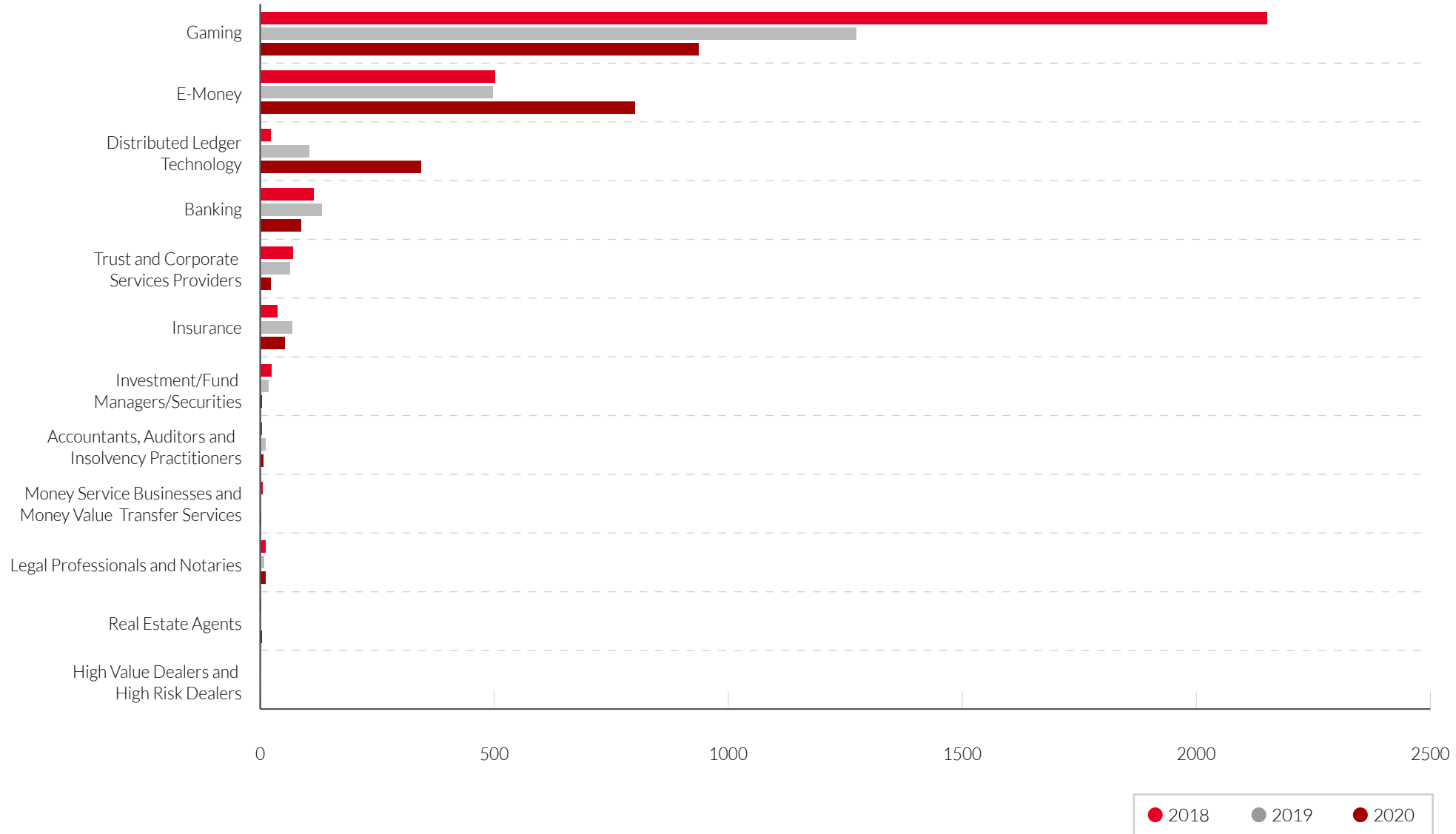
Sector	2018		2019		2020	
	Number of firms	Number of SARs reported	Number of firms	Number of SARs reported	Number of firms	Number of SARs reported
Gaming	33	2152	36	1273	38	936
E-Money	4	501	5	497	5	800
Distributed Ledger Technology	5	11	14	105	13	343
Banking	13	114	11	131	11	87
Trust and Corporate Services Providers	58	69	57	61	51	21
Insurance	96	36	97	69	91	52
Investment/Fund Managers/Securities	169	24	175	19	177	4
Auditors & Insolvency Practitioners	81	4	79	11	83	6
Money Service Businesses and Money Value Transfer Services	13	5	12	-	11	2
Legal Professionals and Notaries	51	11	51	9	53	12
Real Estate Agents	45	2	39	1	39	3
High Value Dealers and High Risk Dealers	33	-	42	1	54	2
Total	601	2929	618	2179	626	2268



Number of Firms within each sector

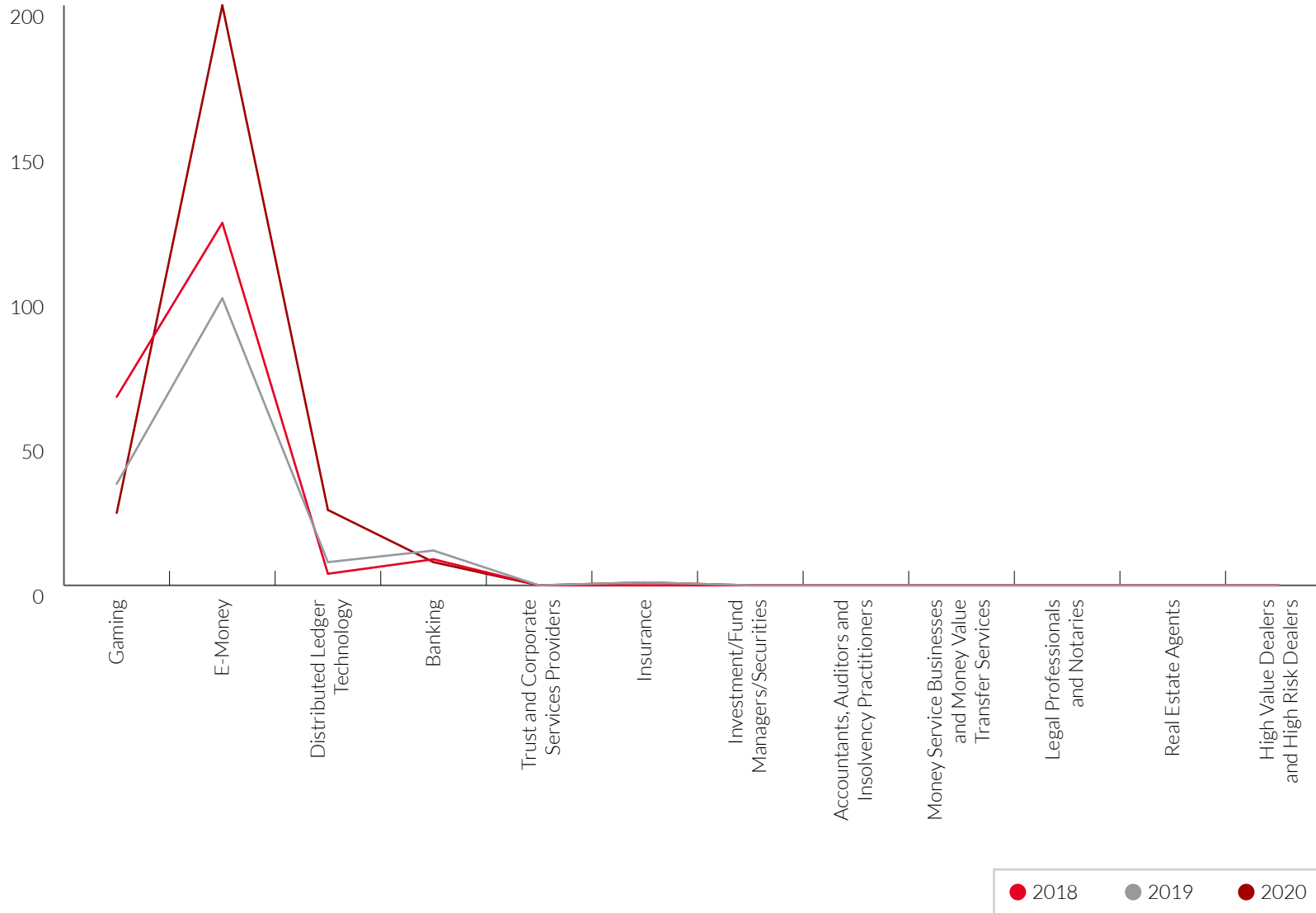


SARs reported in each sector



Money Service Businesses and Money Value Transfer Services represent the largest sector when measured by the number of companies within it, it is important to highlight that this is not necessarily a measure of the market value of the sector. The Gibraltar Insurance, Gaming, Banking and E-Money sectors currently represent the largest sectors by value and form crucial parts of the pillars of the Gibraltar economy. Therefore, there is not a direct correlation between the number of entities within a sector, and the total volume of SARs reported and each sector carries its own level of AML/CFT risks, which may result in the disclosure of a SAR to the GIU. As evidenced in the graph, the Gaming, DLT and E-Money sectors reported the highest number of SARs, followed by the Banking and TCSP sectors.

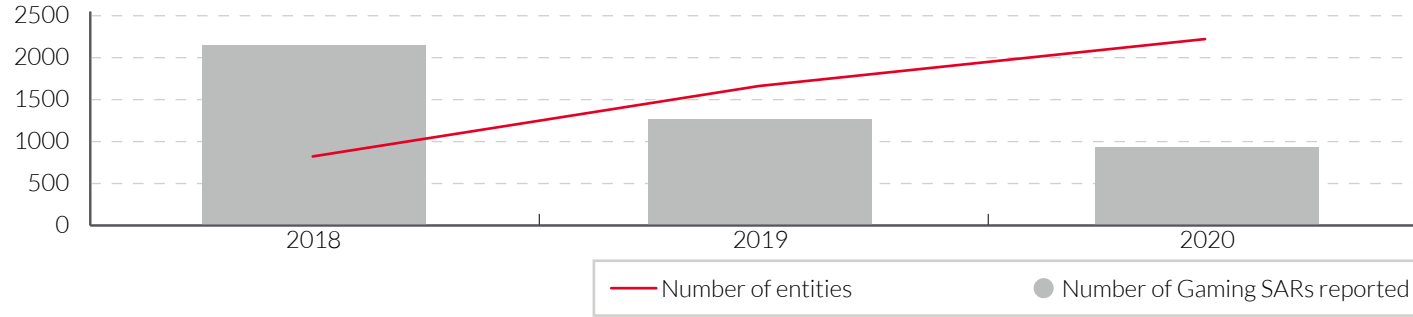
Average number of SARs per Sector



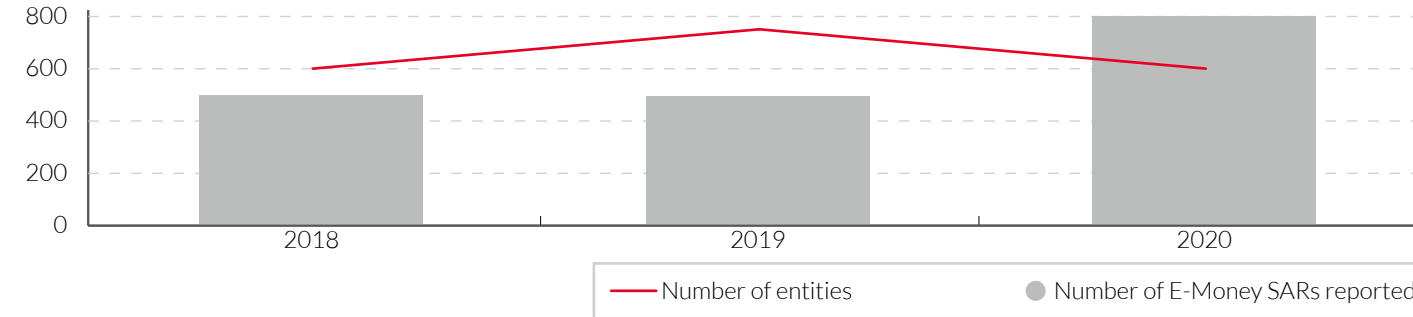
On average, E-Money firms submitted the most SARs when compared to the number of firms within the respective sector and this was closely followed by the Gaming, DLT, TCSP and Banking sectors. On average, the other sectors reported low numbers or no SARs compared to the number of firms within each sector and this trend does not necessarily correlate to the known risk ratings of each sector. The National Risk Assessment (“NRA”) 2020 rates many of these sectors as Medium risk. There is an expectation that higher risk sectors would potentially experience more instances of suspected money laundering and so there is a negative correlation between the risk scoring applied by the NRA and the number of SARs reported. The GFIU would recommend that each sector carefully review the Typologies report published alongside this report in order to better understand the risks and patterns emerging relating to ML/TF occurring in Gibraltar.

Due to the significance of the sectors and the volume of SARs reported, we have compared the total number of SARs disclosed to the GFIU with the number of entities within the Gaming, E-Money and DLT sectors.

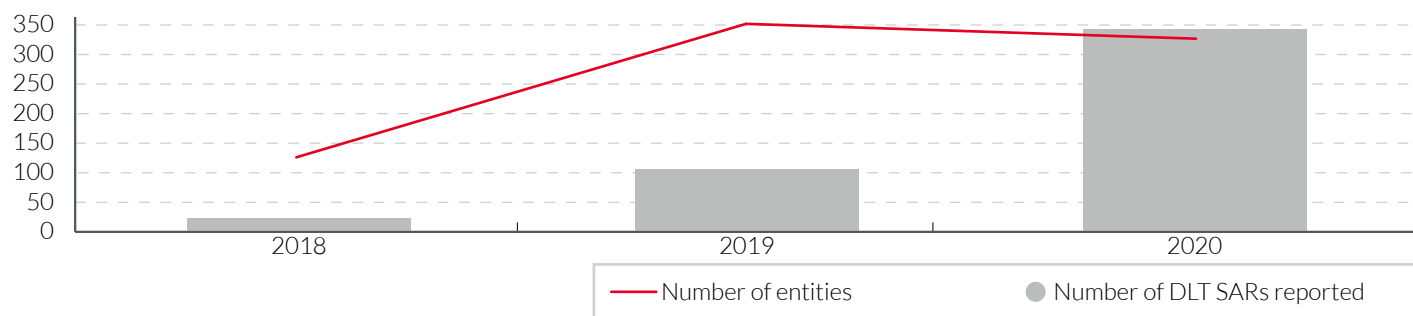
Size of Gaming sector vs Number of SARs filed



Size of E-money sector vs Number of SARs filed

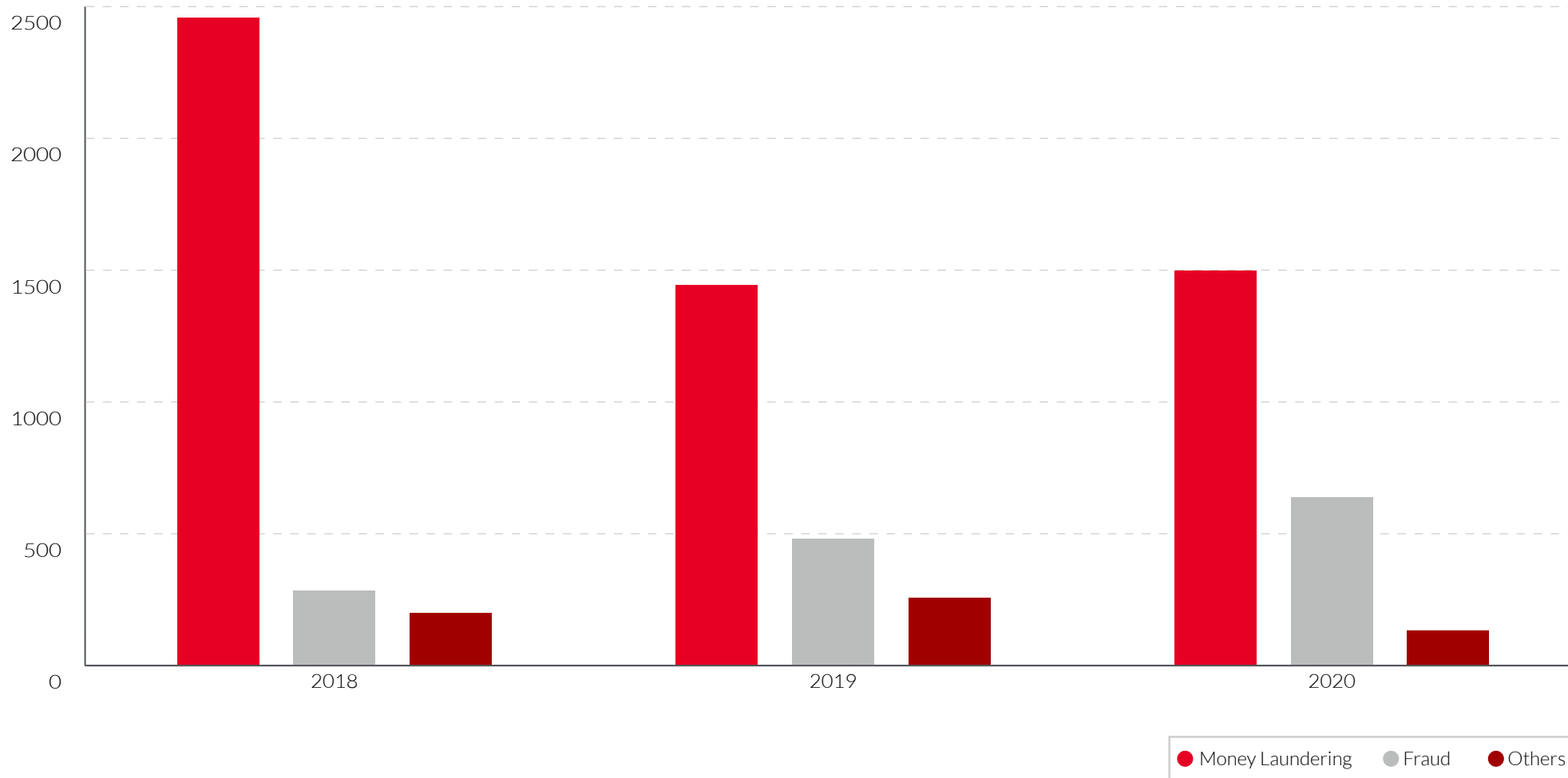


Size of DLT sector vs Number of SARs filed



As Money Laundering and Fraud related criminalities represent the majority of SARs reported, a further analysis has been provided which details the number of Money Laundering and Fraud related SARs reported by sector.

Number of SARs reported by principal Suspected Criminality



A detailed overview of the suspected criminalities reported is included below for comparative purposes and to provide information as to the dominant crimes reported.

Suspected criminality	2018		2019		2020	
	Number of SARs	Percentage of total	Number of SARs	Percentage of total	Number of SARs	Percentage of total
Corruption/Bribery	5	0.17%	8	0.37%	7	0.31%
Money Laundering	2445	83.48%	1444	66.27%	1499	66.09%
Fraud	285	9.73%	480	22.03%	638	28.13%
Robbery/Theft	18	0.61%	45	2.07%	8	0.35%
Terrorist Financing	8	0.27%	4	0.18%	5	0.22%
Human Trafficking	7	0.24%	7	0.32%	4	0.18%
Drug Trafficking	14	0.48%	37	1.70%	31	1.37%
Tax Crimes	74	2.53%	74	3.40%	33	1.46%
Currency Counterfeiting	2	0.07%	3	0.14%	5	0.22%
Smuggling	1	0.03%	1	0.05%	1	0.04%
Other	58	1.98%	12	0.55%	5	0.22%
Terrorism	1	0.03%	9	0.41%	3	0.13%
False Accounting	3	0.10%	10	0.46%	4	0.18%
Insider Trading	1	0.03%	7	0.32%	2	0.09%
Murder/Grievous Bodily Injury	-	-	2	0.09%	2	0.09%
Organised Crime	3	0.10%	10	0.46%	4	0.18%
Sanctions	4	0.14%	15	0.69%	9	0.40%
Sexual Exploitation	-	-	3	0.14%	6	0.26%
Total	2929	100.00%	2179	100.00%	2268	100.00%



As Money Laundering and Fraud related criminalities represent the majority of SARs reported, a further analysis has been provided which details the number of Money Laundering related SARs reported by sector in 2020.

Suspected criminality	Gaming	E-Money	Distributed Ledger Technology	Banking	Trust and Corporate Services Providers	Insurance	Investment/ Fund Managers/ Securities	Accountants, Auditors and Insolvency Practitioners	Money Service Businesses and Money Transfer Services	Legal Professionals and Notaries	Real Estate Agency	High Value Dealers and High Risk Dealers	Total
Corruption/Bribery	-	-	-	4	2	1	-	-	-	-	-	-	7
Money Laundering	829	388	208	50	5	-	2	4	1	8	3	1	1499
Fraud	63	384	120	10	6	51	1	-	1	2	-	-	638
Robbery/Theft	7	-	1	-	-	-	-	-	-	-	-	-	8
Terrorist Financing	2	1	1	1	-	-	-	-	-	-	-	-	5
Human Trafficking	-	2	1	1	-	-	-	-	-	-	-	-	4
Drug Trafficking	18	9	3	-	1	-	-	-	-	-	-	-	31
Tax Crimes	9	5	-	16	1	-	1	-	-	1	-	-	33
Currency Counterfeiting	1	3	-	1	-	-	-	-	-	-	-	-	5
Smuggling	1	-	-	-	-	-	-	-	-	-	-	-	1
Other	-	3	2	-	-	-	-	-	-	-	-	-	5
Terrorism	-	1	-	-	1	-	-	1	-	-	-	-	3
False Accounting	1	-	1	1	-	-	-	1	-	-	-	-	4
Insider Trading	2	-	-	-	-	-	-	-	-	-	-	-	2
Murder/Grievous Bodily Injury	1	1	-	-	-	-	-	-	-	-	-	-	2
Organised Crime	1	1	-	-	1	-	-	-	-	1	-	-	4
Sanctions	1	1	1	2	4	-	-	-	-	-	-	-	9
Sexual Exploitation	-	1	5	-	-	-	-	-	-	-	-	-	6
Total	936	800	343	87	22	52	4	6	2	12	3	1	2268



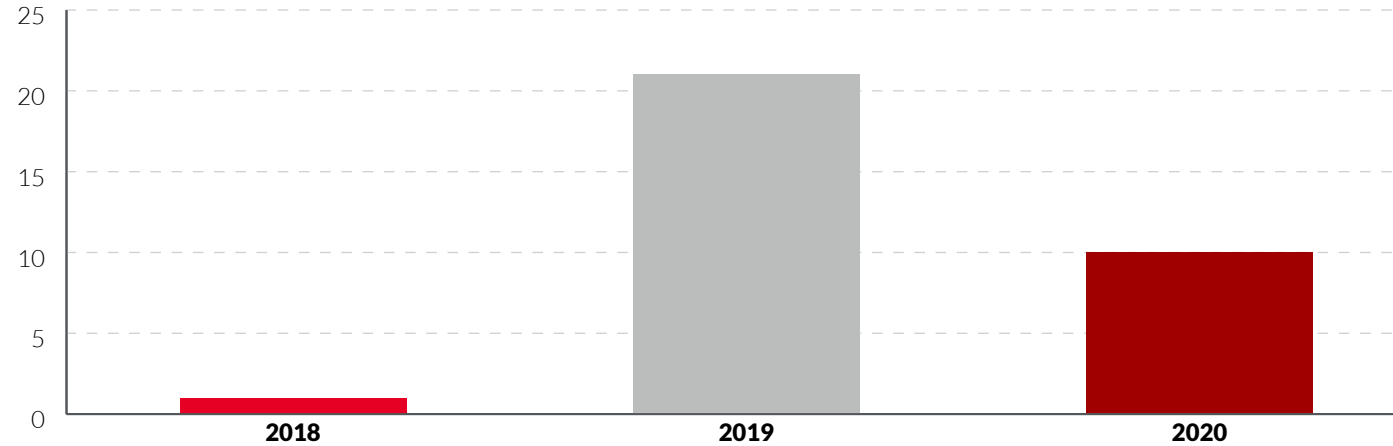
The data analysis undertaken aimed to assess whether there was a culture of defensive SARs being submitted to the GFIU. Generally, there is an increasing trend within other jurisdictions for defensive SARs. A defensive SAR arises where an activity or a transaction is deemed not suspicious upon further analysis by the GFIU. SARs are required to be filed when a transaction or an attempted transaction involve funds derived from any illegal activity, or when the transaction has no apparent lawful purpose.

Many entities are wary to be seen by both the GFIU and by their regulator as being complacent or soft on potential instances of money laundering. As regulatory and legal scrutiny has increased in this area, so has the risk of regulatory and reputational risk to these entities and so the high number of SARs deemed to have been filed in a defensive manner are likely to be explained by this. However, it is important to note that the sheer volume of additional workload created by these defensive SARs where no suspicious activity is contained within have a negative impact on the GFIU, and may even lead to a dilution on the value of SAR reporting as a whole.

Links or identification to Politically Exposed Persons (PEPs) is reported by the MLROs when raising a SAR. The graph on the right shows the percentage of SARs related to PEPs that have been submitted to the GFIU.

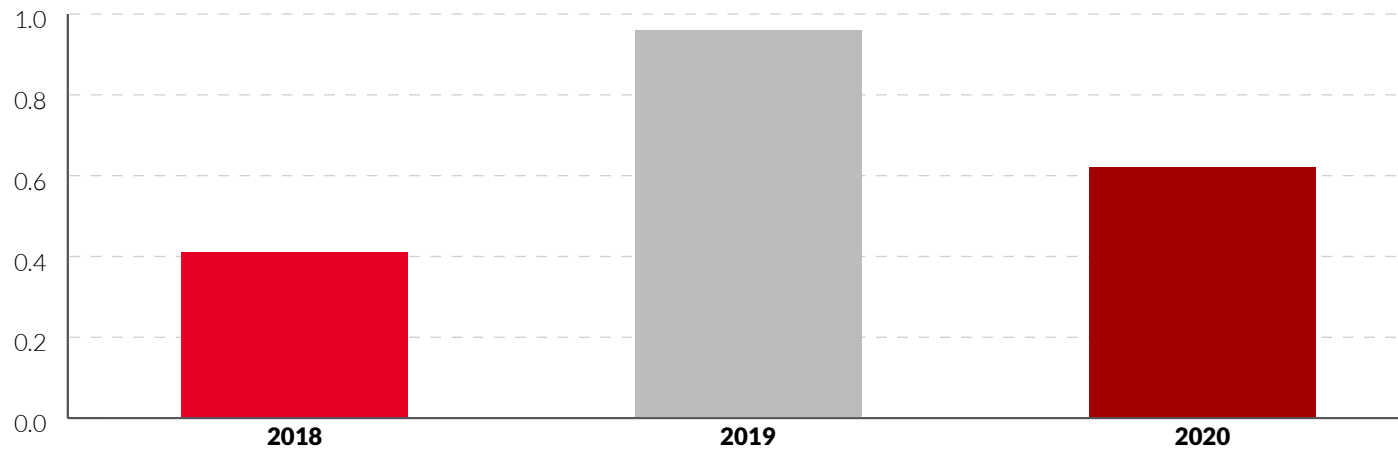
DEFENSIVE SARs

Percentage of Defensive SARs



POLITICALLY EXPOSED PERSONS

Percentage of SARs related to PEPs



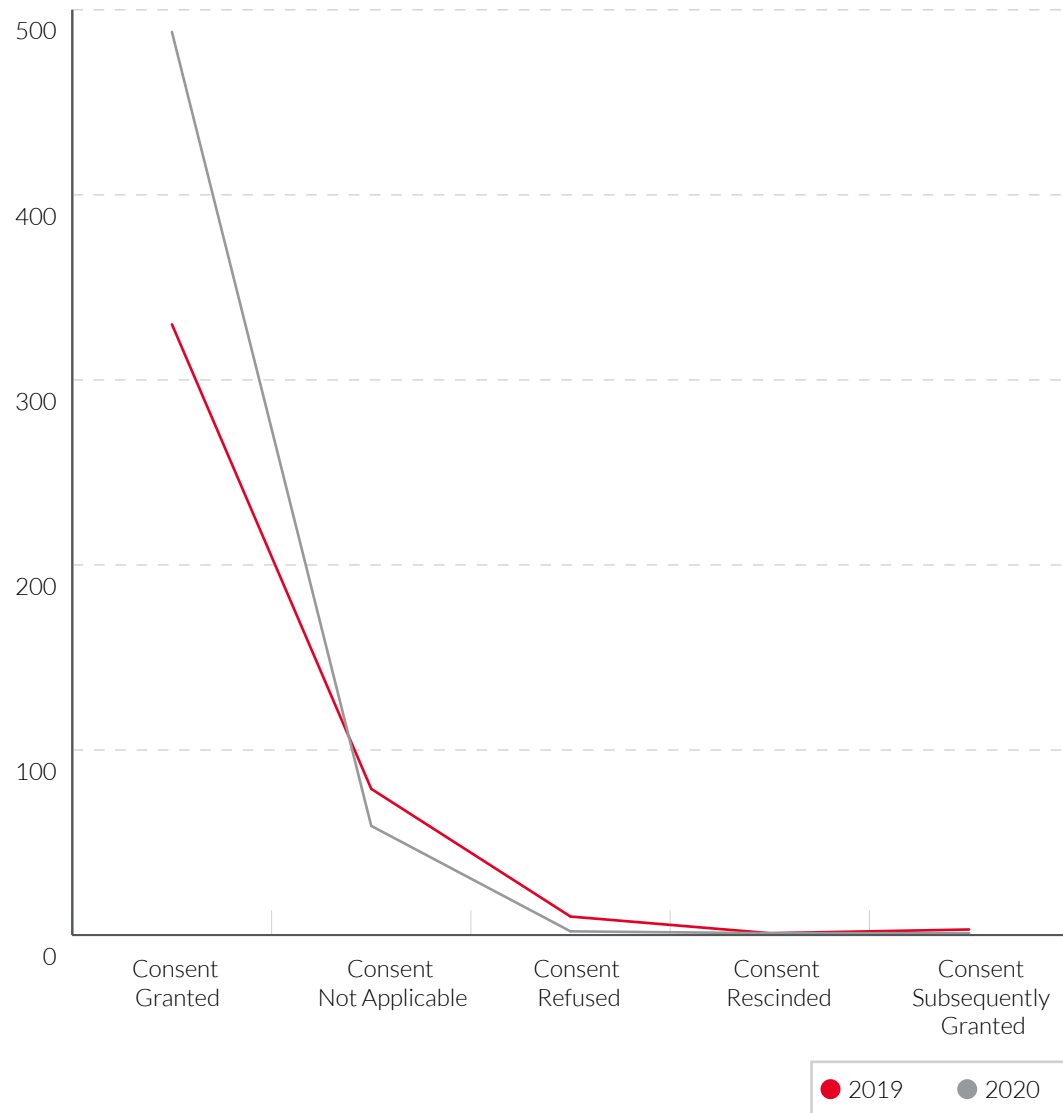
CONSENT SARs

In mid-2020, the GFIU conducted a review of its guidance documents. As part of the review, it looked at the use of the term ‘consent’ and the frequent misinterpretation of its legal effect. An internal GFIU study showed that about 16% of consent requests were being used for business decisions (e.g. to terminate a relationship), providing few or no details on the prohibited act, or seeking consent for future transactions. Statistics also showed that since January 2019 to December 2020, 82.5% of consent requests were granted with only 1.5% refused. In order to improve the understanding of the term, the GFIU adopted the alternative term ‘Defence Against Money Laundering’ and ‘Defence Against Terrorist Financing’ which had been adopted by the UKFIU in 2016. The GFIU underwent a consultation process with the private sector and its introduction is expected to more accurately reflect the intention behind the legislative provisions.

A SAR can be submitted where a firm holds a suspicion that processing a financial transaction may result in the entity dealing with criminal proceeds. At this point, a SAR is raised to the GFIU to request consent to undertake further steps in respect of the transaction which could have potentially constituted a money laundering offence if the consent had not been sought or granted by the GFIU as required by legislation. The GFIU analysts will review the SAR submitted and depending on the nature of the request, may be required to liaise with law enforcement, or another FIU in order to conclude on whether to provide or refuse consent. As the graph demonstrates, the number of consent requests submitted to the GFIU has increased over the two years analysed, which also greatly impacts on the workload of the GFIU analysts as they are required to process and consider the consent request within a 14 working day period. If consent is not refused within the 14-day period, entities can proceed with the transaction. In addition, the number of SARs raised with requests for consent, which were later deemed not applicable by the GFIU, “Consent not applicable” have slightly decreased since 2019, which further reflects the impact of the GFIU’s outreach programme in ensuring SARs relating to consent are filed correctly, when required.

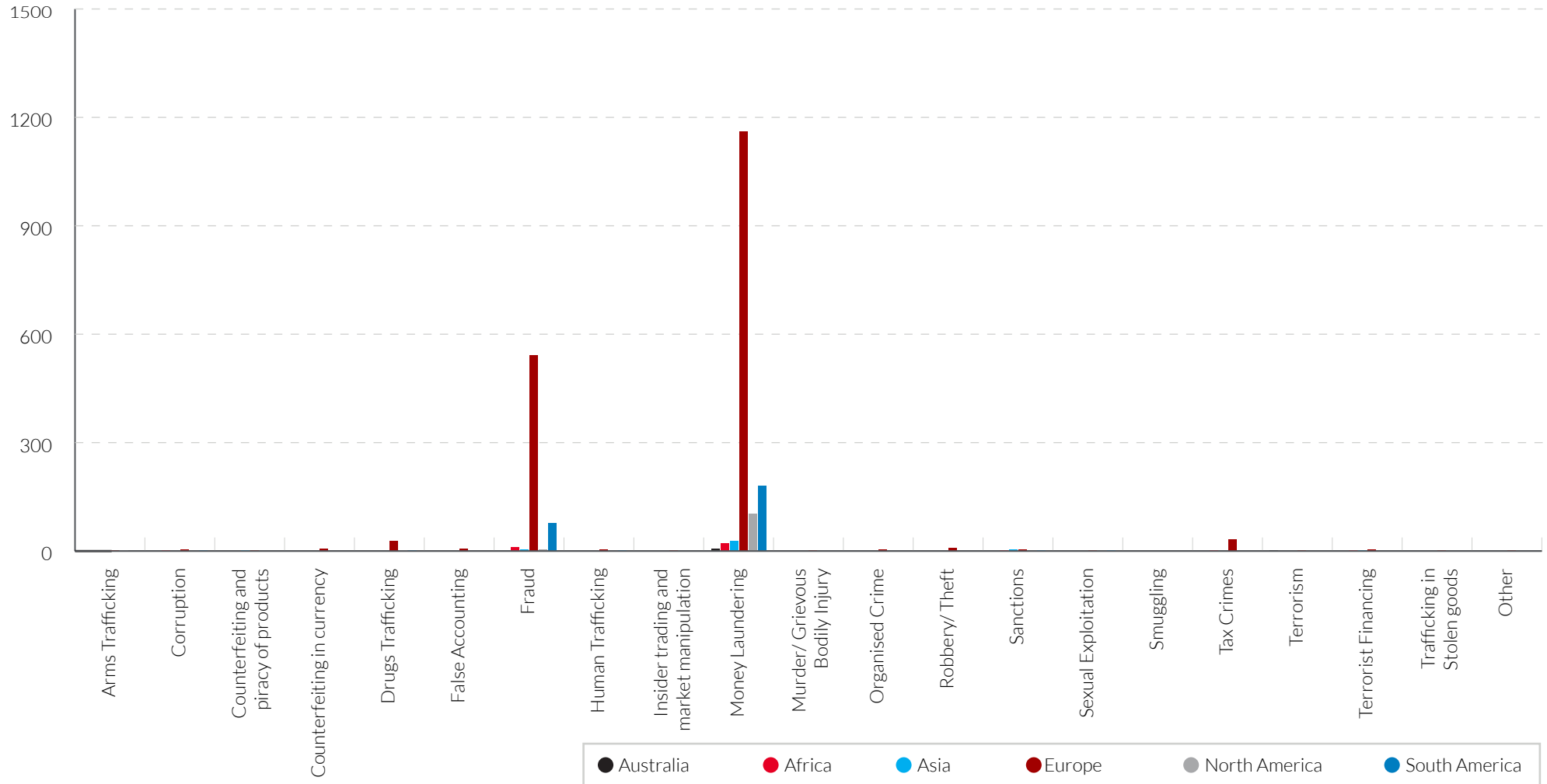
There is a growing trend for consent requests to retain funds as the subject is unknown due to the suspected use of stolen or fraudulent identification documents.

Consent SARs status after GFIU review



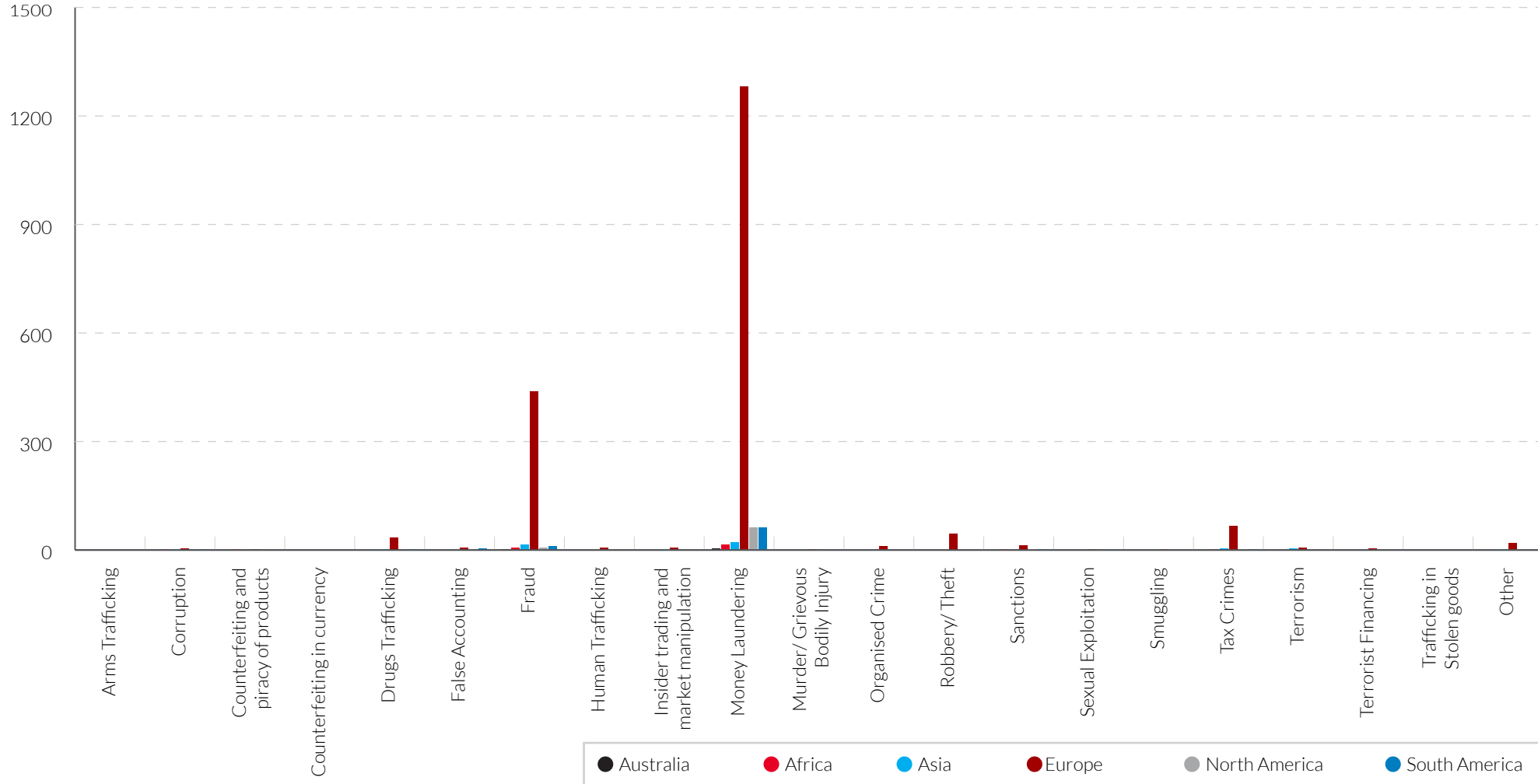
SARS REPORTED BROKEN DOWN BY GEOGRAPHIC REGION

Suspected Criminality of SARs disclosed by Geographic Region - 2019



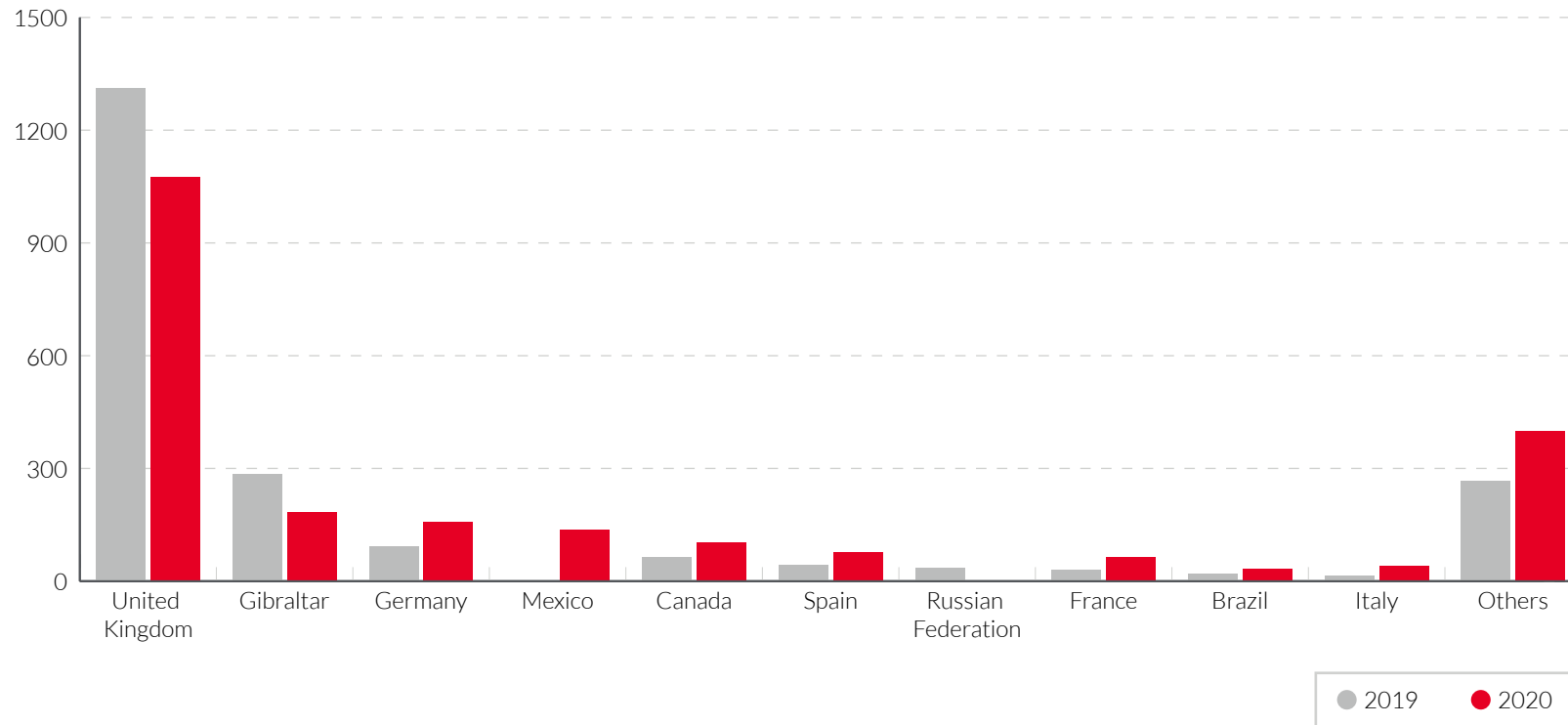
During the years 2019 and 2020, the suspected criminality of SARs disclosed was recorded alongside the country where the crime was deemed to have occurred. The above graphs demonstrate that the majority of SARs reported relate to crimes deemed to have occurred in Europe.

Suspected Criminality of SARs disclosed by Geographic Region - 2020



Right, the top ten countries and others where criminality occurred in terms of SARs reported.

SARs reported by country where criminality occurred



HIGH RISK RATED JURISDICTIONS

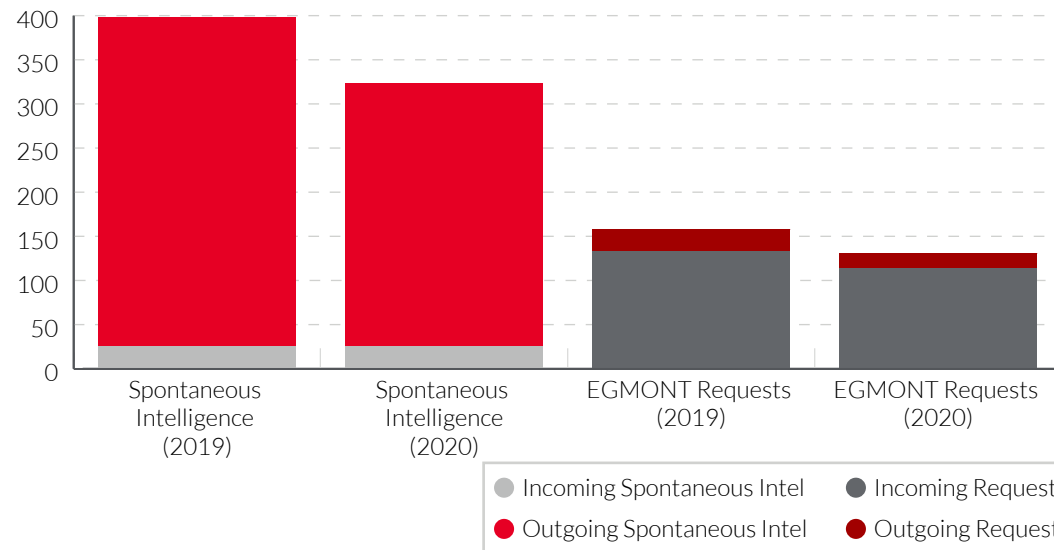
FATF/EU high risk rated jurisdictions	2019	2020
Iran	-	2
Mongolia	2	1
Nicaragua	1	-
Pakistan	1	5
Panama	1	-
Democratic People's Republic of Korea	1	-
Syria	-	1
Uganda	-	1
Zimbabwe	1	-
Number of SARs with a link to FATF & EU rated high risk jurisdictions	7	10
Total Number of SARs	2179	2268
% of SARs reported with link to FATF/EU high risk jurisdictions	0.32%	0.44%

Both the Financial Action Task Force ("FATF") and the European Union ("EU") identify jurisdictions with weak measures to combat money laundering and terrorist financing and issue these in public documents. The aim behind this process is to publicly list countries with weak AML/CFT regimes with the aim to encourage the listed countries to make necessary reforms to their AML/CFT systems and redress weaknesses. These lists also provide useful information to stakeholders when risk assessing clients and transactions. Overall, there were few SARs disclosed with links to FATF or EU high risk rated jurisdictions representing 0.32% and 0.44% of total SARs disclosed during 2019 and 2020.

EGMONT REQUESTS AND SPONTANEOUS INTELLIGENCE

Egmont requests are requests from foreign FIUs for intelligence held by the GFIU, external databases and third parties. These exchanges of information are conducted via the Egmont Secure Web. All requests are recorded in Themis, which allows linking of subjects either contained in GFIU data or Mutual Legal Assistance requests. Any financial intelligence received by the GFIU which is not an Egmont request or a SAR is recorded as a Financial Intelligence Message (FIM). This includes requests to foreign FIUs, spontaneous intelligence, investigation notifications, data requests and cash seizures. During the years 2019 and 2020, the GFIU handled over 1,500 FIMs.

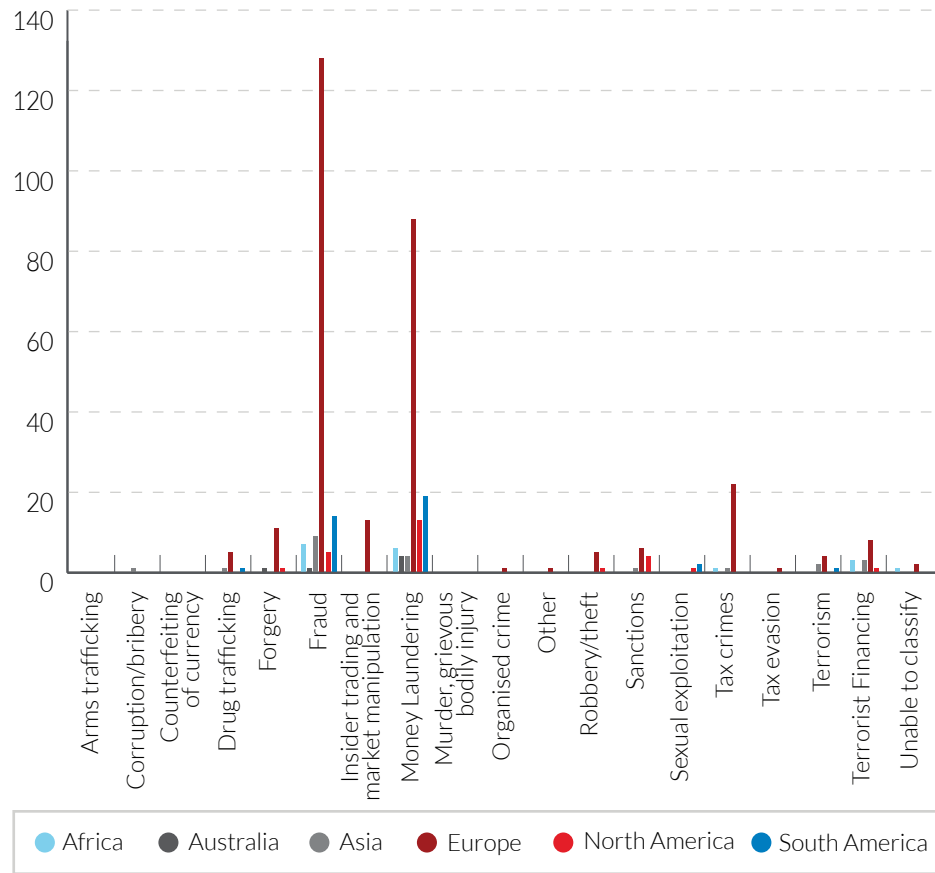
Significantly, Money Laundering was the most reported suspected criminality in both years, which aligns with the most highly reported suspected criminality by Gibraltar businesses. Over 93% of suspected crimes reported via the FIMs/ Egmont requests process related to suspected crimes with links to European countries in both years, with the remaining 7% pertaining to suspected crimes with links to the North America, Asia and Africa.

Analysis of EGMONT Requests and Spontaneous Intelligence - 2019 and 2020

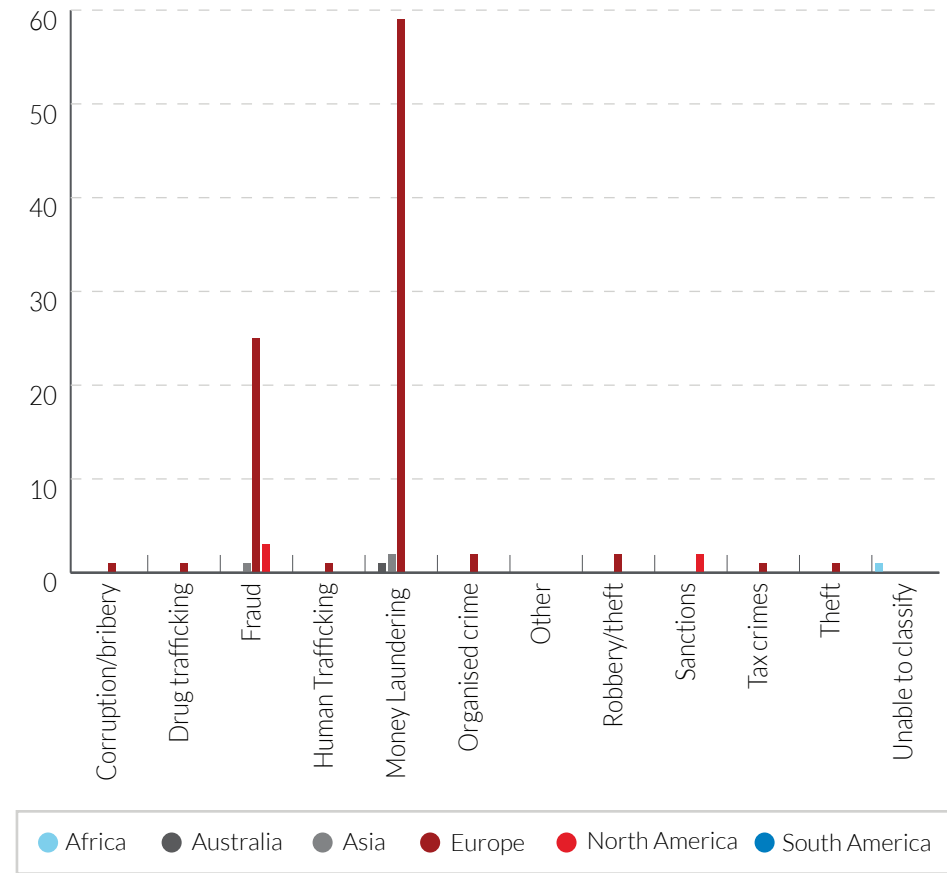
The graph above shows the number of exchanges made through the Egmont Secure Web in 2019 and 2020.



Breakdown of Criminality by Geographic Region - Spontaneous Intelligence - 2019



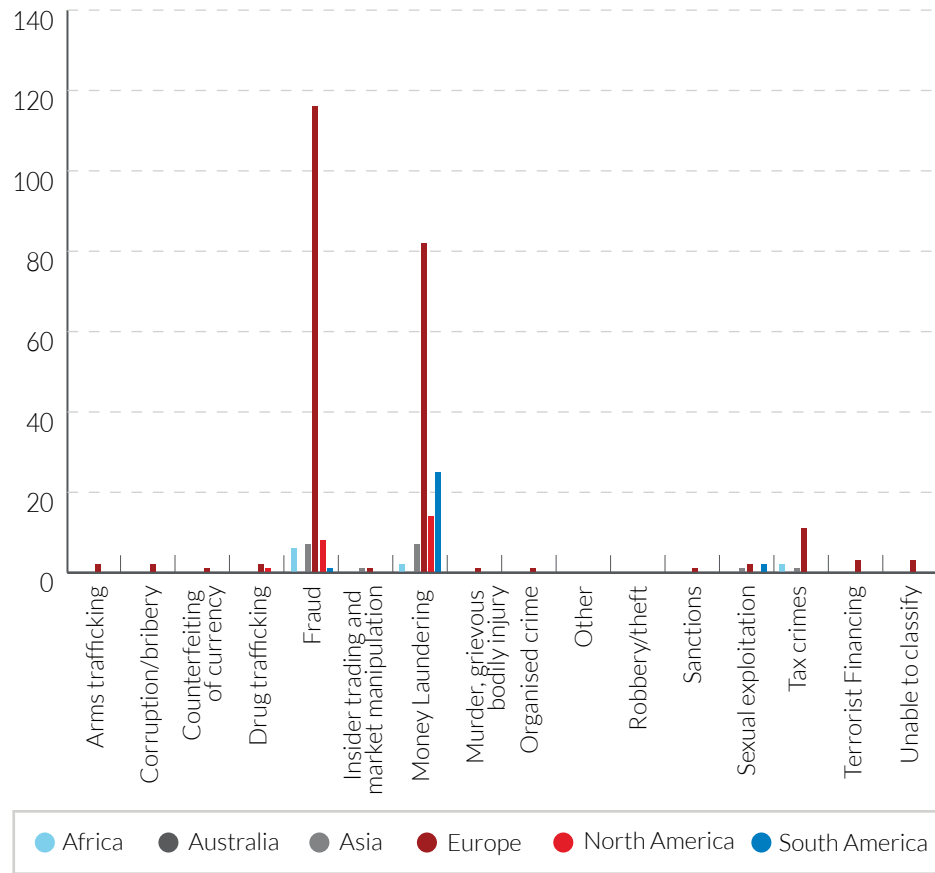
Breakdown of Criminality by Geographic Region - EGMONT Requests - 2019



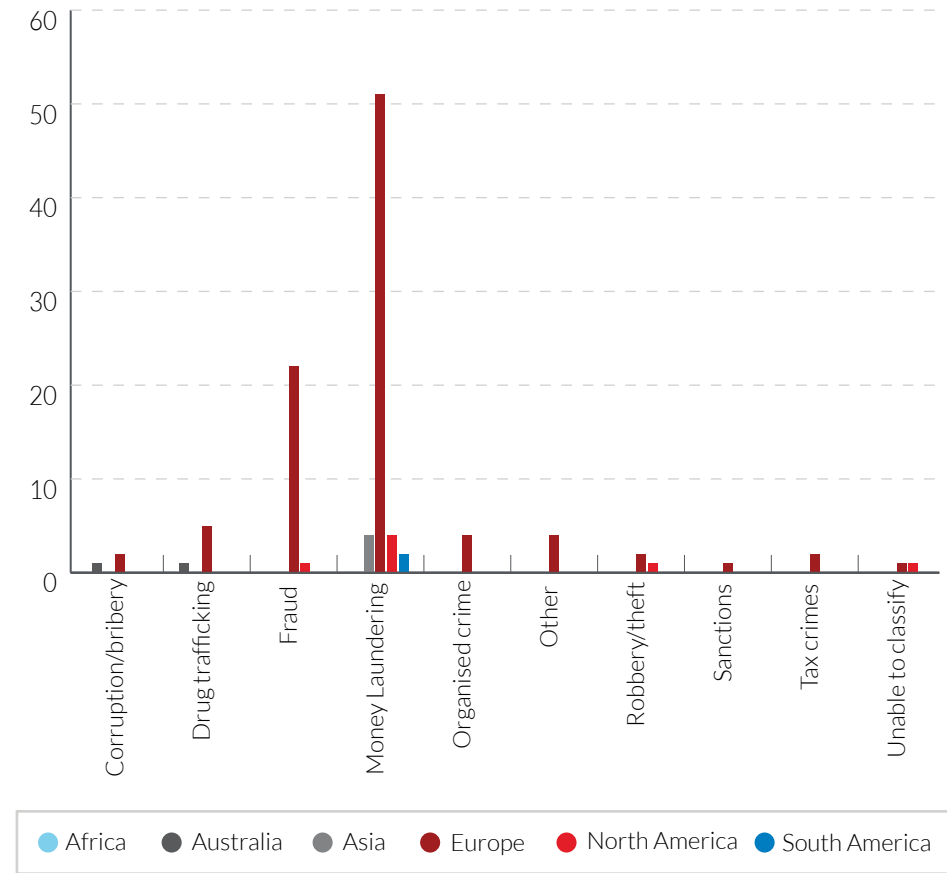
The graph on the left shows the combined number of Egmont outgoing and incoming spontaneous intelligence reports for 2019.



Breakdown of Criminality by Geographic Region - Spontaneous Intelligence - 2020



Breakdown of Criminality by Geographic Region - EGMONT Requests - 2020



The graph on the left shows the combined number of Egmont outgoing and incoming spontaneous intelligence reports for 2020.

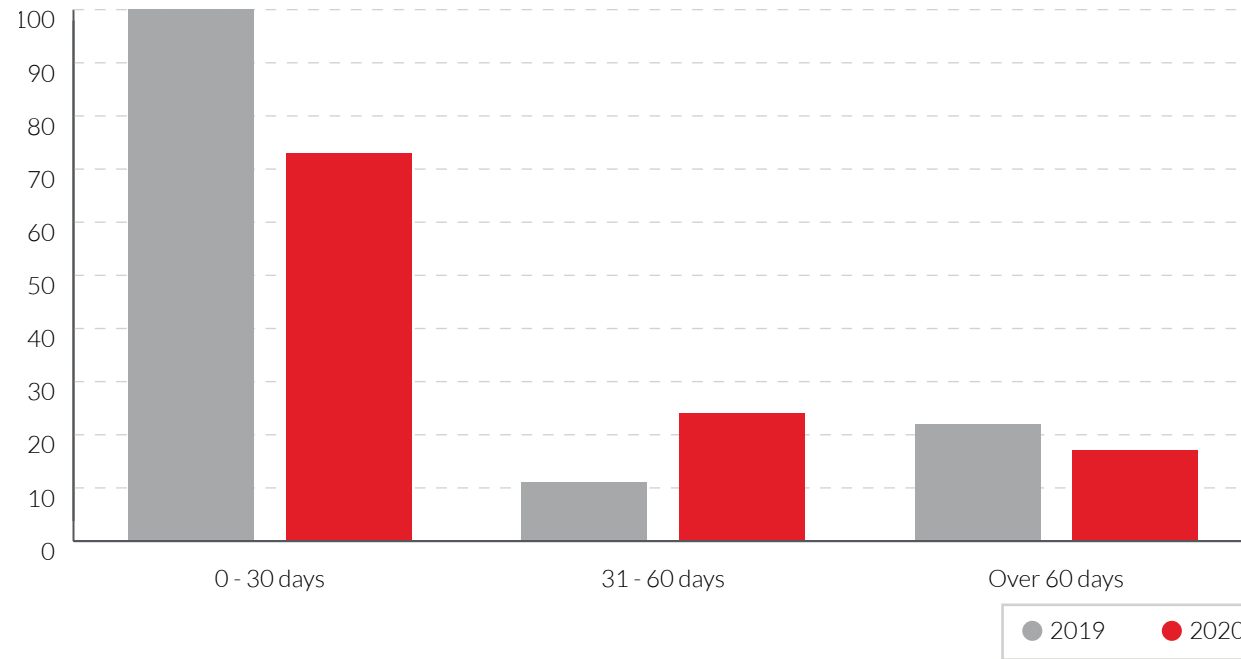
In both 2019 and 2020, Fraud and Money Laundering were highly reported. Geographically, the majority of the criminality reported pertained to Europe with over 95% of information shared and received by the GFIU.



AVERAGE RESPONSE TIMES TO REQUESTS FROM THE EGMONT GROUP OF FINANCIAL INTELLIGENCE UNITS

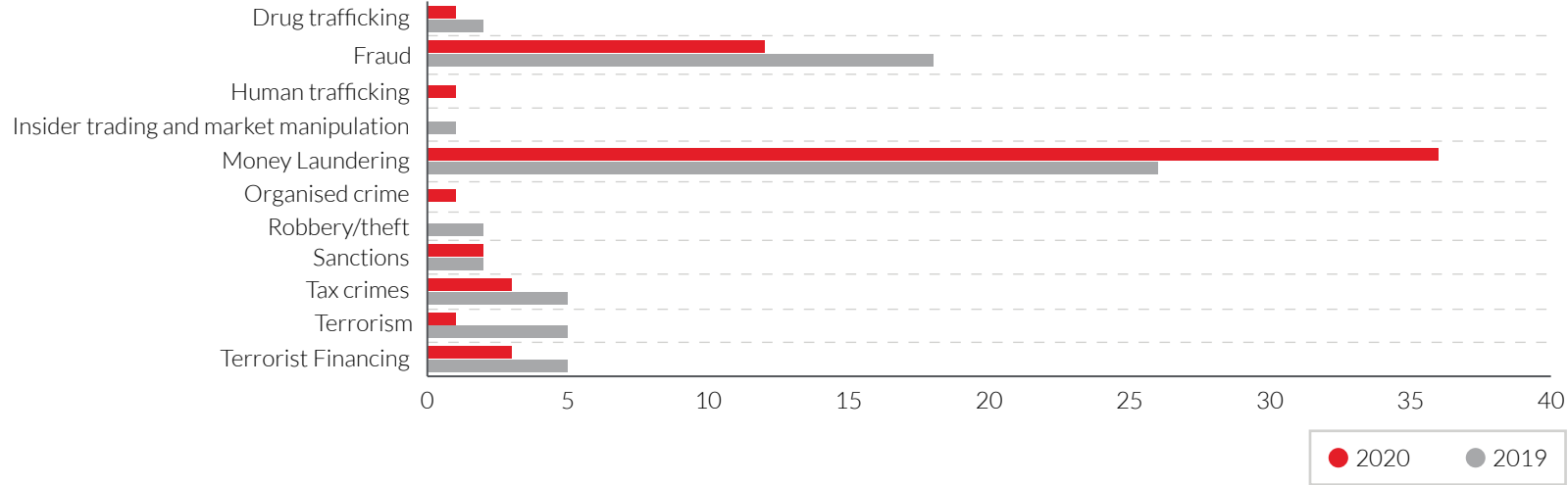
The Egmont Group of Financial Intelligence Units have suggested response times to requests received by FIUs, stating that requests should be answered as soon as possible, whether positively or negatively. Egmont acknowledge that the turnaround time for requests may differ, depending on the nature of said requests but typically suggests that responses should be received within one month, if possible. Additional time is considered reasonable if there is a need to query external databases or third parties. Despite requests received all requiring the GFIU to query external databases or third parties, the average response times to Egmont requests were largely within the 30 day timeframe suggested. A small number of Egmont requests resulted in response times over 60 days; however these were few in both 2019 and 2020. There is a slight increase in delays for 2020 which are attributed to COVID-19 constraints in obtaining information from the relevant service provider within the private sector (e.g. firms working with shortage of staff). These delays have had an effect on response times but other factors such as GFIU conducting in-depth analysis of request, that may require further action; requests warranting discussion with LEAs or other competent authorities; or seeking clarification from foreign FIUs on some requests, need to be taken into account.

Average Egmont Request response times

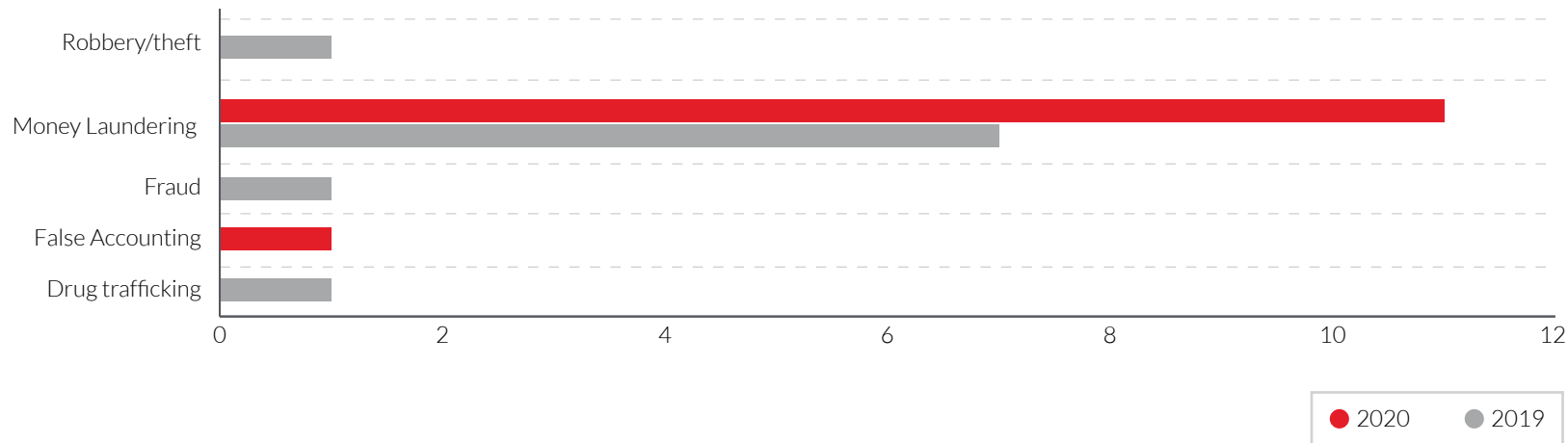


INTELLIGENCE REPORTS DISSEMINATED TO LOCAL LAW ENFORCEMENT AGENCIES

Intelligence Reports disseminated to Royal Gibraltar Police



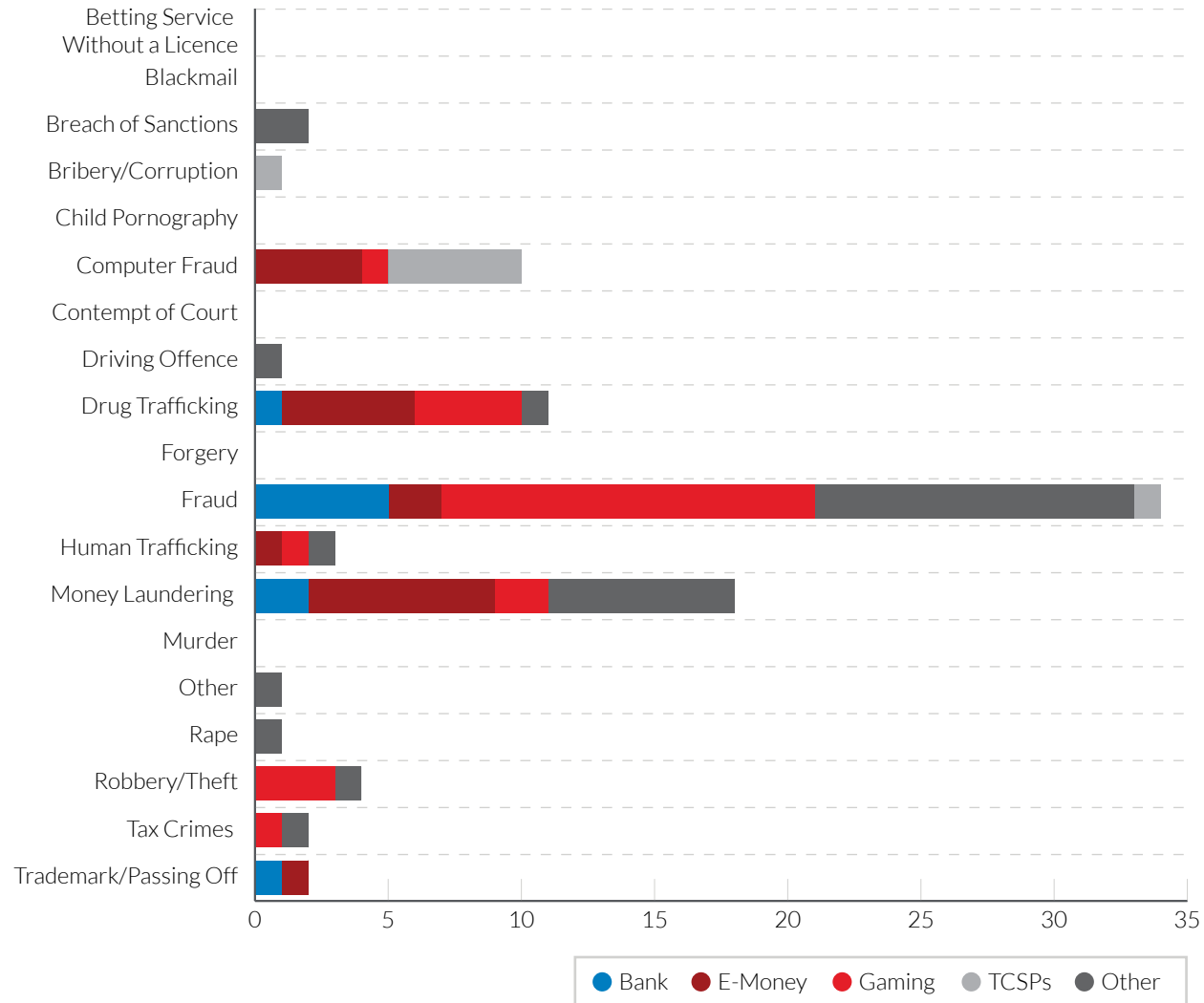
Intelligence Reports disseminated to HM Customs



Intelligence Reports are disseminated to Law Enforcement Agencies where deemed relevant by the GFIU. During 2019 and 2020, 66 Intelligence Reports (2019) and 60 Intelligence Reports (2020) were shared with the Royal Gibraltar Police and 10 Intelligence Reports (2019) and 12 Intelligence Reports (2020) were shared with HM Customs. For a breakdown of the criminality of each report shared, please see the graphs on the left.



MLAs received by Sector and by Suspected Criminality - 2019

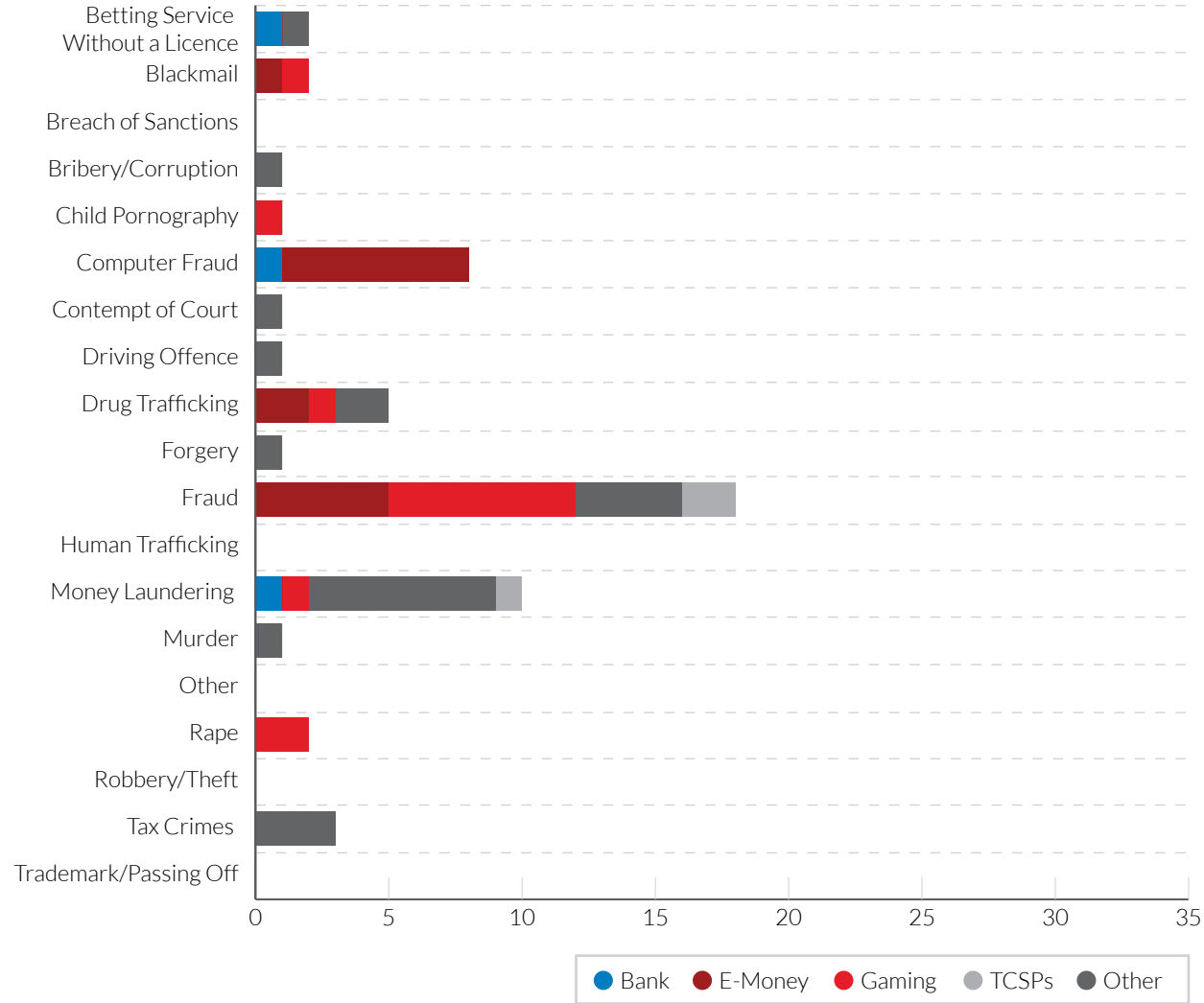


MUTUAL LEGAL ASSISTANCE REQUESTS

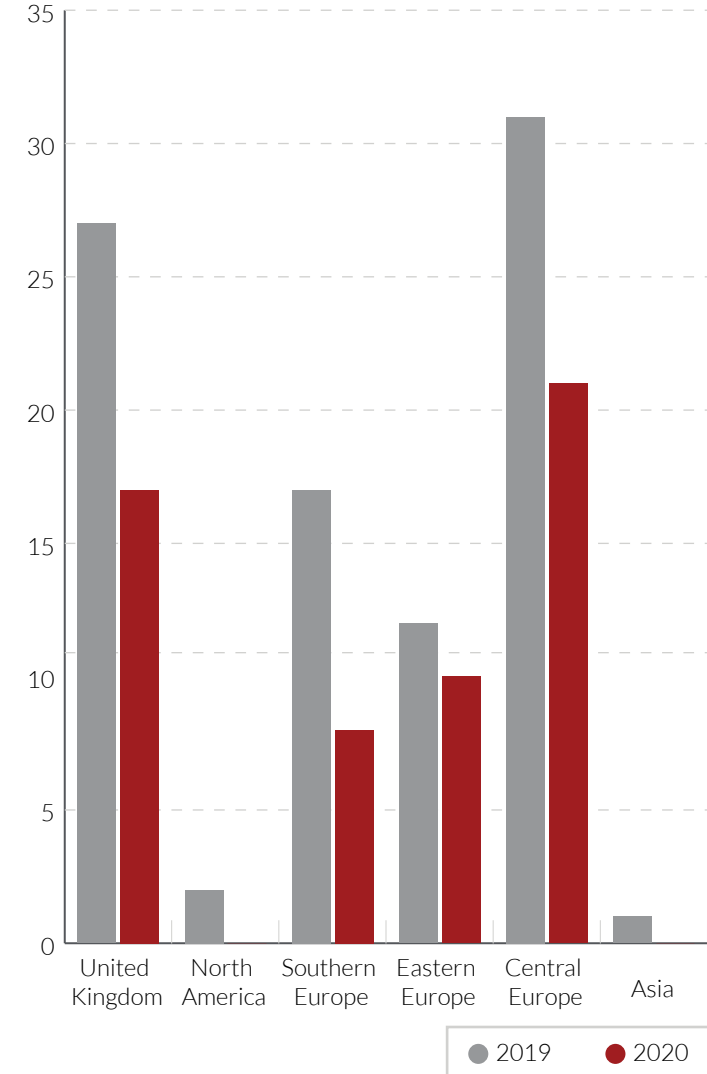
Mutual Legal Assistance (MLA) is a method of cooperation between states for obtaining assistance in the investigation or prosecution of criminal offences. MLA is generally used for obtaining material that cannot be obtained on a police cooperation basis, particularly enquiries that require coercive means. A formal international Letter of Request (LOR) is centrally received by the Gibraltar Law Offices and disseminated to the GFIU via the Themis reporting system. The data for 2019 and 2020 details the requesting countries, the suspected criminality and the sector from which further information has been requested. Whilst the information requested pertains to a specific entity with a sector, it is important to note that the entities themselves are data holders and not subjects within the investigation.



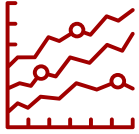
MLAs received by Sector and by Suspected Criminality – 2020



MLAs received by Geographic Region



3. Emerging and Residual Trends



EMERGING TRENDS

New forms of crime continually evolve and criminals are able to quickly adapt to changing circumstances. Increasing globalisation and technological advancements, create opportunities for criminals to thrive on. Identifying and tackling new financial crime risks can become a challenging feat for Financial Intelligence Units. The infrastructure of globalisation also has an impact on smaller jurisdictions and transnational crime is able to infiltrate into small finance centres. The current COVID-19 pandemic is an example, where criminals have been able to adjust their modus operandi in order to tap into new opportunities. These emerging threats and risks may establish themselves with a long-term impact.

COVID-19 SARS

The World Health Organization (WHO) declared COVID-19 a pandemic in March 2020. Criminals were quick to assess the opportunities that this pandemic provided and begun to exploit the situation. New threats evolved as a result of the global crisis. Predicate offences changed, with an increase in fraud, cyber related crime, bribery, corruption, human trafficking, illicit wildlife trade, online child sexual exploitation, counterfeit medical supplies and fraudulent investment opportunities.

Global institutions and organisations begun issuing warnings on this new threat. The FATF published a paper as 'part of a coordinated and timely response to the impact of the COVID-19 crisis on global anti-money laundering (AML) and counter terrorist financing (CFT) efforts and the application of the FATF Standards in this context.'

INTERPOL issued a global threat assessment on crime and how criminals were diversifying their activities exploiting the uncertainty and fear of the pandemic.

Financial Intelligence Units also produced their own guidance highlighting red flags related to typologies identified through their suspicious transaction reports. In some cases, keywords were required to be used by reporting entities in suspicious transaction reports. However, this was not necessary in the GFIU's system as the online reporting system allows for keyword searches to be performed within all relevant fields and documents.

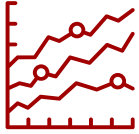
The Egmont Group's ECOFEL promptly created a very useful e-learning course on COVID-19 Emerging Risks. Prior to that the GFIU had participated in an ECOFEL meeting on our own experiences in Gibraltar. In its early days, GFIU had not received any reports related to COVID-19. This would indicate that the type of industry in Gibraltar was not attracting criminal activity. For example, Gibraltar does not have a trade industry and therefore medical products are not produced or handled for export.

In mid-September a number of reports were received from various reporting entities that demonstrated an increase in COVID-19 related fraud. It is highly likely that criminals will continue adapting to the new opportunities as a result of the pandemic and that it will be exploited beyond the end of the crisis.

A number of SARs were received from e-money firms. The suspicions relate to customers resident in a country receiving COVID-19 benefit payments from third countries and/or in the name of other persons. It is believed that stolen identities have been used to claim the benefit payments.

Given the increase in global risk from heightened levels of cyber fraud, the GFIU in collaboration with the Economic Crime Unit of the Royal Gibraltar Police created an e-learning workshop on Business Email Compromise also known as CEO Fraud. Largely based on the Egmont Group's report published in 2019, it is designed to assist reporting entities and other businesses to recognise the tactics used by criminals to hack email systems for fraudulent payment instructions.





RESIDUAL TRENDS

E-MONEY

CASE STUDY 1

The customer registered for an e-money account with XYZ Limited. Using the same IP address and device as the customer used to register for his account, multiple payer accounts were created with ABC Limited. These payer accounts are specific for non-ABC Limited customers who receive a payment request from an ABC Limited customer for payment of goods or services through ABC Limited's platform. These payer accounts were created with suspected stolen identity documents and bank details. The customer then requested various payments from these payee accounts.

CASE STUDY 2

Customer A who was resident in Country X registered for an e-money account. Numerous COVID-19 benefit payments were received into the account. The benefit payments were received from Countries Y and Z and the payers in the description are Mr B & Ms C.

DLT

CASE STUDY 1

32 users created accounts with a VASP. The users are believed to be low earners, unemployed or not in the demographic usually associated to the use of DLT. The users are residents of a developing country deemed high due to its association with narcotics. The accounts were created using a limited number of IP addresses and devices. The photos provided as proof of identity shared common metadata and similar backgrounds.

Each of the users received into their accounts circa 6 BTC deposited in various smaller amounts. These amounts were subsequently withdrawn as fiat currency.

CASE STUDY 2

An analysis revealed that the crypto derived from Red87 which is synonymous with narcotics. In an attempt to obfuscate the flow of funds the services of a number of cryptocurrency mixers has been used. The customer used different payment cards issued under different names to replenish his account.

The customer then withdrew the converted BTC funds to darknet marketplaces and other high-risk clusters.

GAMING

CASE STUDY 1

Account is opened in the name of a Customer who is a student with no known employment or source of income. €2.5m is deposited into the account in numerous small deposits ranging from €2,000 to €4,000. The deposits are made in a period of five months with numerous deposits made on the same days. The deposits are made with various e-wallets from multiple providers.

The Customer makes a few bets totalling €5,000 throughout the five-month period and then withdraws the balance of €2,495,000 into an e-wallet account.

CASE STUDY 2

Customer is a manager in a family owned Estate Agent and has an annual salary of £40,000. Other than through employment there is no other known source of wealth or income. During the first three years the customer deposited circa £5,000 annually into his gaming account. During the last six months the customer had deposited £90,000 into his gaming account. These deposits were in the range of £500 to £1,000, with multiple deposits on some days. Upon a review of the customer's bank statements, provided as proof of source of funds there are numerous unexplained payments for a total value of £357,500 originating from his employer's client account. Additionally, the bank statements show payments of £215,000 to three other gaming companies.





Gibraltar Financial Intelligence Unit
HM Government of Gibraltar